

LATIN AMERICAN REPORT



VOL. IV

No. 8

HAITI: Are foreign aid dollars buying full measure of benefits?

REPORT ON PANAMA:

TRAVEL: A tropical vacationland enriched with historic marvels.

LAND & PEOPLE: A melange of nationalities inhabits the land.

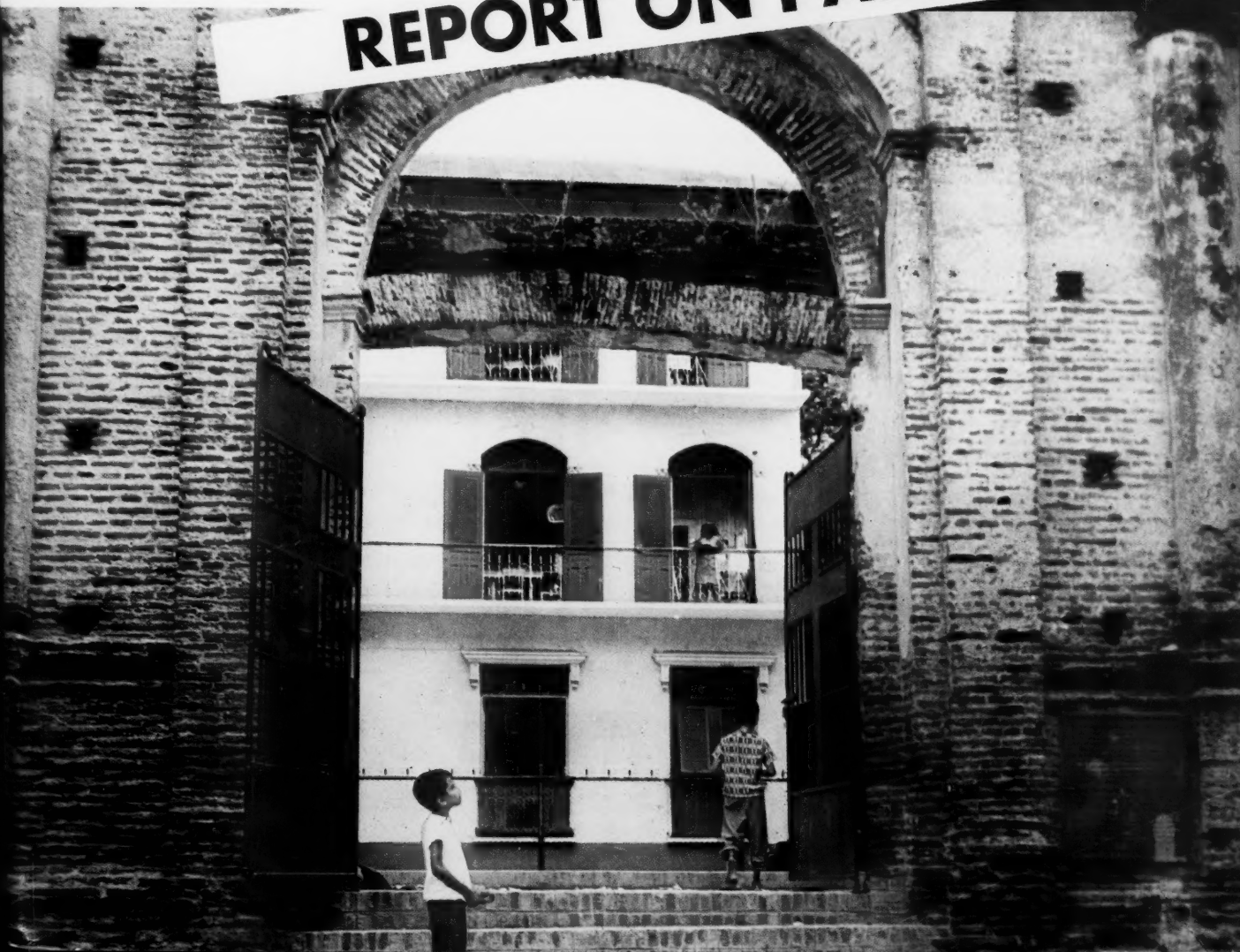
AGRICULTURE & INDUSTRY: Many fertile fields for development.

SOCIAL ADVANCE: A progressive program for a better way of life.

COLON FREE ZONE: The big, bright spot in the economic future.

"TAX HAVENS": Their loss would deal a deadly blow to the nation.

REPORT ON PANAMA



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A WORD OF WARNING ABOUT AID

THERE is before the Congress of the United States today one of the most important pieces of legislation that this body may be called upon to enact in our time. It is President Kennedy's foreign aid bill, including measures he deems necessary for the success of his "Alliance for Progress" program.

The opposition seems to be that the aid program as outlined by the President is "spendthrift"; that foreign aid in the past has many times been wastefully administered, and that it often has failed in its objective; and finally, that the long-term provision takes control of the program away from Congress.

We should like to point out that foreign aid is only spendthrift when we go at it halfheartedly, as we have too often done in the past. When aid is too little and too piecemeal to permit overall planning, then it accomplishes no purpose, and in the end, is lost. That is spendthrift. Aid that is adequate and long-range enough to permit planning toward broad, concrete objectives is not spendthrift. It is an investment—an investment we can ill afford not to make. And this is precisely what the President is asking for.

It is true there have been many instances of waste in the past—partly for the reasons mentioned above, and partly because of graft and mismanagement. We believe the Administration intends to put a stop to such isolated instances of waste.

Foreign aid has been wasted also because it was handled within the recipient country so that little of it filtered down to the man in the street. It served instead to make the rich richer. Because of this failing, it was wasted—and was spendthrift. The key to the Alliance for Progress is that it is designed to help the masses of people. It is the first time we have had an aid program of this nature to offer Latin America. It is an investment that will for the first time pay real political as well as economic dividends. For this reason it is doubly important.

Perhaps most important of all is the long-term principle. Without this provision, there can be no planning—no objective beyond coping with the particular emergency of the moment. No sane businessman would dream of running his business on an emergency-by-emergency basis, without knowing where his next investment dollar is coming from and without being able to plan ahead. It is ridiculous to expect the developing nations of the world to operate in such a manner. It is high time for Congress to forego a few sacred privileges in the interest of the nation—and the Free World. Not since the Marshall Plan has this nation had the opportunity to act on a bold enough plan to make a dent in the communist armor. Let us not pass up the challenge.

Only if we fail to back the Alliance for Progress idea with deeds can communism and Castroism win over us in Latin America. If we fail in this, then you may rest assured they will win. Time is not on our side. Patience, even among our friends, is wearing thin in the other Americas. We may not have another chance.

William G. Gaudet
PUBLISHER



Panama's President Chiari



Vice President Bazon



Director of Tourism—
Senora Arango



Finance Minister Arias



SCIAP farm supervisor Villegas

LATIN AMERICAN REPORT

*Published monthly to record and
interpret the changing history
of our hemisphere.*

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Contents

ARTICLES

REPORT ON PANAMA	3
THE LAND AND THE PEOPLE	4
PANAMA'S PROGRESSIVE PROGRAM	7
DECADES OF ECONOMIC GROWTH	11
FOOTSTEPS THROUGH TIME ...	19
COLON FREE ZONE	24
INTERVIEW: TAX HAVEN? TAX DEFERRAL? ..	26
HAITI: EXAMPLE OF UNPRODUCTIVE AID ..	29

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THIS MONTH'S COVER: Famous "Flat Arch" in Panama City.
(Color Photo by Norman Thomas.)

PHOTOGRAPHIC CREDITS: 8, right, Fernandez Studios; 24, Colon Aviation, Inc., All others, Norman Thomas.



REPUBLICA DE PANAMA
PRESIDENCIA

Siempre agradezco las oportunidades que me brindan los medios de
I am always grateful for opportunities that offer me the media of
divulgacion, como en este caso "El Reporte Latinoamericano," para enviar
dissemination, as in the case of Latin American Report, to send my fraternal
mi fraternal saludo a los lectores del Continente.
greetings to the readers of the Continent.

Panama, por especiales circunstancias, constituye un lugar de enlace
Panama, by special circumstances, constitutes a connecting link between
entre los pueblos de America. Actualmente nuestra Nacion lleva a cabo
the American peoples. Actually, our nation is carrying out very great efforts
ingentes esfuerzos, dirigidos a incrementar ese acercamiento, que por
directed toward incrementing that reapprochement which traditionally is a
tradicion, es parte de la estructura misma de nuestro pais.
part of the makeup of our country.

En el intercambio comercial, turistico y cultural haremos siempre todo
In commercial, tourist and cultural interchange we shall always do
lo que este de nuestra parte, para brindarle a los hombres y empresas del
our part to offer the people and enterprises of the Continent the warmest
Continente, la mas calurosa bienvenida y las mas fructifera permanencia en
welcome and most fruitable stay on our Isthmus.
nuestro Istmo.

ROBERTO F. CHIARI
Presidente de la Republica
President of the Republic

R
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P
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T



In the days of the Conquistadores the Cathedral Tower offered majestic beauty—now a favorite for picnickers

on **Panama**

RIGHT: The narrow streets of the old colonial area of Panama City teem with people of many races. Just any place will do for a business-sidewalk or middle of the street.

PANAMA has variously been called the "Hub of the Universe" and the "Crossroads of the World." The world moves through Panama—east and west, north and south, by sea and by air. And true, a great deal of the world has rubbed off on this narrow neck of the Isthmus in passing. Spain and France, the West Indies and the Orient, the United States, and to a lesser extent many other parts of the world, have left their marks here. The cosmopolitan cities of Panama and Colón, at either end of the Canal, reflect a melange of nationalities and tongues, of colors and cultures. In these cities, and the areas adjacent to the Canal Zone, live and work some 40 per cent of the people of Panama.

To many travelers through the Isthmus, this is all there is to Panama. It is all they see; all they know. But to let Panama go at this is to sell it short. Panama is generally thought of as a small country. But the truth is, it is one of the larger of the small countries of the world. In area it is about equivalent to all of New England, minus Maine. Panama includes in the vast Darien to the east, one of the world's great unexploited forest regions; and in the west lie fertile agricultural lands and cattle ranges. The rich Province of Chiriqui, proudly called the "Texas of Panama," lies some 300 miles from Panama City; and there is as much difference between the "Chiricano" and the "Panamanian" as there is between the Texan and the New Yorker.

The Chiricano is a product of the soil and the open spaces. In his thinking, his way of life and his manner of speech, he is more like the Costa Rican than the Panamanian. He is energetic and ambitious, and right now he is proudest of the strides his state is making toward becoming one of Latin America's most productive agricultural regions. The Central Provinces that separate Chiriqui from the Province of Panama—Veraguas, Herrera, Los Santos and Cocle—also are thriving agrarian states, and their peoples are mostly farmers and ranchers. Old traditions still cling to the little



PANAMA

the Land a

country towns along the Pan American Highway and at the ends of feeder roads into the interior, but tractors are fast replacing oxen in the bigger fields, and the traditional oxcart is slowly vanishing from the newly-paved streets of villages. The steeply-gabled, thatched huts of natives are still commonplace in parts of the interior, but they are slowly giving way to sheetiron roofs and more conventional housing.

Many of the Indian tribes that lived on the Isthmus before Columbus touched here on Christmas Day, 1502, have retained their identities through almost pure lines of descent over the centuries since that time. These include the Cuña, the Guaymi and Choco groups. Most exciting of these Indians are the San Blas, a branch of the Cuña tribe, who inhabit the lovely chain of coconut palm islands that fringe the Darien in the Caribbean. They jealously guard their independence won from the Spaniards in return for peace, and never intermarry with outsiders. Still another branch of the Cuñas inhabit the mountains of the little-penetrated Darien on the Pacific side. The Choco are a more docile people, also inhabiting the Darien. The Guaymi live in the mountainous interior of the western provinces in the vicinity of the Costa Rican border.

Many of the mixed-blood Indians and some of the pure Indian people work on the farms in the interior. No small number have succumbed to the lure of the cities, where the men have found employment as laborers and the women are highly prized as servants. The handicraft and costumes of the Indians have become important and colorful parts of Panamanian culture and tradition. Such items also are highly sought by tourists as mementos of Panama.

The San Blas Indians make an applied costume called a *mola* that is highly prized. The intricately embroidered traditional costumes of Panama, the *pollera* for the woman and the fringed *montuna* shirts for the men, reflect this Indian influence. Panama's national dance, the *tamborito*, on the other hand, is probably of African origin. Other native music and dances are the *mejorana*, the *punto* and the *cumbia*. In playing this music, two five-stringed guitars, called the *mejoranera* and *bocona*, are used, along with the *rabal*, a sort of three-stringed violin, and a *guachara*, a gourd rattle.

But if the hinterland reflects the timeless traditions of colonial and pre-Columbian eras, Panama City, itself, is a contrast in twentieth century worldliness. The cosmopolitan atmos-



and the People

phere of the city dates back to early colonial times and carries through into the future. Almost from the September day in 1513, when Vasco Núñez de Balboa stood on a hilltop in Darien and sighted the Pacific, Panama was destined to become a crossroads of world commerce and travel. Three years later, in 1516, near an Indian village on the Pacific, the original city of Panama was chartered and named (Panama is an Indian word meaning "fisherman" or "abundance of fish") by Pedro Arias Dávila when he moved the seat of his government from the Atlantic to the Pacific side of the Isthmus. From that time on, Panama City moved forward, sometimes rapidly, sometimes haltingly, but inexorably toward its present position in world commerce. First, the town became a jumping-off place for the Spanish conquest of Peru. Soon it became the "Cup of Gold," for the collection and storage of Inca gold awaiting transshipment across the Isthmus to Spanish galleons bound for Spain. When the convoys of galleons returned from Spain, laden with goods and wares, great fairs were held to trade these riches. The energies and talents of the people turned naturally to trade.

As such, Panama was an irresistible plum for the pirates of the Spanish Main. In 1671, Henry Morgan and his pirates slashed their way into Old

Panama and sacked the town. Two years later, the city was rebuilt on a defensible point of land farther around the bay, and this was the beginning of Panama City, as it stands today. Still Panama had its ups and downs. The new city never regained the importance or the splendor of the old, and by the 1730's Peruvian trade was largely routed around Cape Horn. Panama settled into a period of apathy and decline that lasted until Revolutionary times. In 1821, after throwing off the yoke of Spain, Panama joined the Republic of Greater Colombia. There was a secessionist movement in Panama in 1840, led by Tomas Herrera, that was successful for 13 months. When Panama finally won its independence from Colombia for good on November 3, 1903, Herrera became the new Republic's national hero.

Back as early as 1826, the Great Liberator, Simón Bolívar envisioned Panama as "the Hub of the World—the ideal site for a world capital," and called for a visionary conference of delegates from all the Republics of the New world—the historic Congress of Panama. But it took the California Gold Rush to bring Panama back into prominence as a commercial center. Gold seekers from the East coast of the United States, making the sea voyage to California, found the Isthmus

a convenient overland shortcut. At this time, the Panama Railroad was begun and the first transcontinental train rolled across the Isthmus in 1855.

The heavy trans-Isthmian traffic of gold seekers, and construction of the Panama Railroad, combined to lure to the Isthmus the first great influx of foreigners that make urban Panama the exciting melange of races and nationalities that it is today. At one time, 1,000 Chinese were imported to help lay rails through the fever-infested jungles of the Isthmus, but only 200 survived the first few months. The beginnings of a great mixed race had begun. The railroad company established harbor facilities and put its own ships into service, connecting the Isthmus with the United States and the coasts of Central and South America—another step in the history of Panama as a center of world commerce.

There was to be yet another backslide. Completion of a transcontinental railroad in the United States dealt a severe blow to Panama, and it was not until the French Canal Company acquired the railroad and started construction of the Canal in 1880 that the fortunes of Panama again saw an upsurge. The French, themselves, and the thousands brought in to help dig the big ditch, all added their various contributions to the racial hodgepodge of the inhabitants.

When Panama achieved its independence in 1903, and the United States took over the Canal construction in 1904, with the consequent eradication of yellow fever from the Isthmus, the future of Panama as a world commercial hub was apparently assured for all time. To dig the Canal, thousands were brought in from the West Indies, Europe, the Orient, from the United States, itself. Many stayed on in the Republic to make the cities of Panama and Colón the crucibles of a vigorous mixed nationality. The end product is the Panamanian, as he is found in these urban areas today. Each nationality and race has added its bit to the culture of these cosmopolitan cities. There still exist fairly distinct lines between the various groups in some ways, but day by day the mixture is stirred and simmered, molecules are broken down and eons exchanged, and the process of assimilation proceeds so slowly as to be without notice—but it does proceed.

The official language, of course, is Spanish, but a majority of Panamanians in the urban areas also speak English, either as a heritage of West Indian descent, through contact with North Americans in the Canal Zone or in business, or in school. English



ABOVE: A sidewalk checker game. No stakes are too large, or too small. BELOW, RIGHT: The lottery—a bonanza for charity projects, a business for the vendors, a hope for the buyers. BELOW, CENTER: A handshake from U. S. Ambassador Farland brings a happy smile to a young Panamanian. BELOW, LEFT: Away from the hubbub of the city a "self-help" home being built in David, an interior city.



is taught in the schools of the Republic almost from the very beginning. Chinese also is widely spoken, as are a smattering of other languages.

Traditionally, the governing class in Panama has been the descendants of the Spanish Conquerors—family names that date back to the very coming of the white man. But now also there are many of mixed descent who hold high posts in the governments. It is no longer unusual to meet public officials, even at the Cabinet level, who boast the shrewd minds and keen wit of Indian forebears, and on the other hand, there are those obviously of Negro descent. But they think of themselves, and of each other, not as Negro, or Indian, or Caucasian, but as Panamanian. Here, a man is what he is because of what is within himself—not because of his race or his color or his origin. The same holds true in the business world. It is futile to deny that family wealth and name play a part in the present day social, political and economic structures of Panama; but as in the United States, a man's humble origin is not too great a handicap to be overcome if he has what it takes.

Panama is a republic with a democratic system, centralized in form and with the usual three branches. The Constitution of 1946 provides a specific bill of rights without distinction of race, birth, social position, sex or political or religious affiliation. The legislative branch consists of one chamber called the *Asemblea*, or National Assembly, with legislators

elected from the nine Provinces for four-year terms. The Assembly meets in Panama City in October and sits for 90 days. The President is elected by popular vote and serves four years. He is eligible for reelection for eight years. The same is true of the Vice President. The big urban vote of the central cities does not necessarily control the national vote in a Presidential race. For instance, the present Chief Executive, Roberto Chiari, is a prominent farmer from Aguadulce in the central province of Coclé. The Vice President is José Dominador Bazán, a shrewd and *muy simpático* politician from Colón, where he is sometimes affectionately dubbed "Mr. Colón." As an indication of the importance attached to the Vice Presidency, President Chiari has named Mr. Bazán also to manage the economically important Colón Free Zone. Mr. Bazán is prominently mentioned as future Presidential timber. Assisting the President is a Cabinet of eight Ministers.

The Judiciary, with a reputation for responsible decisions, consists of a Supreme Court of five judges, two superior courts, several circuit courts and municipal courts. Provincial legislatures sit in each of the nine Provinces.

Although one of the oldest seats of government in the New World, Panama, as a republic, is newest of the Latin American countries. The republic has come a long way in its 58 years; today boasts one of the most mature political and governmental systems in Latin America. ●





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Panama's Progressive Program

CALLE 24 East in Panama City is a heavily traveled street that cuts sharply off the Avenida Central opposite the modern National Assembly building, crosses the tracks of the Panama Railroad, and links up two blocks away with the Avenida Justo Arosemena. Where Calle 24 crosses the railroad tracks there stands a big billboard. "You are now entering the Barrio del Marañon," the sign proclaims, "where live 20,000 Panamanians. (Here) Urban Reform is changing the face of promiscuity." And in large letters: IVU.

The message of this billboard is symbolic of the changing face of Panama. IVU stands for *Instituto de Viviendo y Urbanismo* (Institute of Housing and Urbanization), popularly referred to by its initials, pronounced "EE-voo." The Barrio del Marañon is a teeming slum in the heart of the city, made up mostly of tightly packed old three-story buildings, originally erected to house workers digging the Canal. IVU's biggest project, just now getting under way, is to replace this entire slum section with modern, multi-story apartment buildings, set in attractive parks bisected by broad avenues and containing its own schools, shopping and recreation facilities. With the elimination of this ugly sore, Panama City will be well on its way to becoming one of Latin America's most beautiful cities, and 20,000 slum dwellers will have modern, new living quarters.

Already, finishing touches are being

put to the first of the broad, concrete avenues slashing through the Miraflores, the Avenida Mexico. One block of slum housing has been demolished, and excavations are being completed for the first of the four and six-story apartment buildings planned for this \$50 million rehabilitation project.

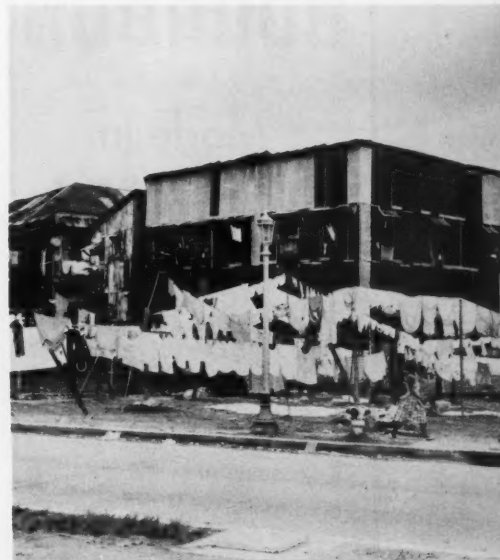
In an austere, pale-green, barrack-like compound on the Avenida Arosemena, a few blocks from the Marañon, a *Chiricano* named Norberto Navarro directs the functions of IVU. Since taking over the housing agency in January, Navarro is said to have let contracts, within the city alone, for \$5 million, launching a total of 33 projects, representing 1,021 family units. Housing needs in the Republic are for an estimated 20,000 units, increasing at about 4,000 units annually.

IVU's housing program is designed not only to alleviate the plight of the slum dweller, but also to help the country's burgeoning middle classes to own their own homes. Various aspects of the program call for construction of big apartment houses, co-op apartment ownership, duplexes and individual family-type homes of both two and three-bedroom varieties, all of which feature complete sanitary facilities. There are two mutual help programs in operation. One is a Point-4 program under which both the U. S. agency and Panama contribute to the cost of materials, and citizens get together and help each other build their houses. The other self-help program is all Panamanian, under which IVU

provides the materials and the people do the work. There is one of these programs operating in each of the towns of David, Chiriqui and Santiago.

One of IVU's principal projects, now quite far along, is San Miguelito, a suburban project at the edge of Panama City. These individual dwellings are designed to replace the "shanty towns" that squatters have built here and there about the city, and some people are being moved

A crowded tenement district in downtown Panama.



TRY AN



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CENTER: This is the sign that says the tenement district, Barrio del Marañon, housing more than 20,000 Panamanians, is to disappear. RIGHT: Moving day—it's goodbye to filth, disease and ugliness.



into these homes from the "Barrios." Families selected at all levels to move into the new housing as it is completed, are chosen by the Social Investigation Department of IVU on the basis of immediate need. As a family is moved out of the shack towns the shack is destroyed so no one else can move in. In some instances, officials say, they return the following day to find the shack rebuilt and someone living in it. To prevent this, the site sometimes has to be guarded until the debris can be carted off. The family unit homes built by IVU are paid for by the new owners through low monthly rates.

Four and six-story apartment buildings are well into the construction stage in San Miguel, below the Hotel Tivoli, where a block of slum apartments had burned down. Experiments are being conducted in "horizontal property," a system of co-op apartments where the owner buys his own apartment through low monthly payments. A project of duplex homes for skilled workers, called "La Soceria," and financed by the Social Security Agency, is being built behind the National Brewery. Two pilot projects of larger individual houses are being built by IVU, one for school teachers at Miraflores, called "Villa Caceres," and another for government workers. These two and three-bedroom houses on larger lots are financed by a new government agency called the Mortgage Credit Bank. Sixty of these middle-class homes will be finished by this month and 500 are scheduled for construction. Aside from IVU housing, private persons of the middle and upper-middle classes owning their own lots, may arrange through the Social Security Agency to finance construction of houses on their land.

IVU is concerned not only with

housing but with long range studies of urban development as well. The agency is making studies and buying land for future projects in all the principal towns of the Republic. In fast-growing David in Chiriqui, IVU is attempting to head off the development of slums before they can form. At David, also, IVU has 25 units under construction, out of an eventual 1,000 planned. These individual, concrete-block homes are designed to sell for \$200 down and \$20 a month for 20 years. In Colón, where slum conditions also are a serious problem, a rehabilitation program is under way to move slum dwellers from the downtown area to new projects on the edge of the city, and to make the downtown property available for commercial construction. One such project is the Pilon development outside Colón, in the direction of Colón's new industrial development. Two *barrios* of fishermen living in shacks in Colón are being rehabilitated to a project of individual homes called "Villa Lomar."

Officials of the Inter-American Development Bank were in Panama in May inspecting various projects, at which time another \$5 million loan was approved for IVU.

In pre-Canal days a veritable pest-hole of disease, Panama today is one of the healthiest tropical countries in the world. When yellow fever threatened to halt construction of the Canal, Dr. William Gorgas was put in charge of sanitation. His work, in cooperation with the Panamanian and U. S. Governments, freed the Isthmus of that dread scourge. Present health problems are those normal to a tropical country and largely confined to rural areas. In cooperation with the Zone, Panama has made its water supply as sanitary as that of any U. S. city. With more than 20 hos-

pitals, some of the best equipped on the continent, Panamanians are quite well cared for. Nearing completion is the massive, architecturally-modern Social Security Hospital, under direction of the Social Security Institute. Old Santos Tomas hospital is the second largest, and its nursing school is highly respected. A children's hospital was completed in Panama City a few years ago.

Proceeds from the National Lottery support the more than half-dozen government hospitals and other health institutions. The Government-run lottery is popular and has the confidence of the people. This Christmas the lottery will give away its biggest prize, \$500,000, tax-exempt. Besides supporting the hospitals, the lottery takes care of a number of charitable causes.

Panama's Social Security Fund is an autonomous government agency administered by a director general and a board of directors. The Fund is an important source of savings in the Republic, now makes loans in the housing field and will operate Panama's largest hospital. The system covers sickness, maternity, disability, old age and death benefits as provided by law. Old age pensions are payable at 60 for men and 55 for women. In those labor categories in which Social Security is obligatory, employers and employees each contribute 4 per cent of wages or salaries paid or received. Self-employed workers may pay into the fund at the rate of 5 per cent of income or profits.

Panama's Labor Code regulates relations between employers and employees on the basis of social justice, guaranteeing the right to strike and the right of lockouts, providing for equal pay for equal work, and calling

for written contracts between employers and the unions. The Code provides for an eight-hour day and 48-hour week, with overtime pay for additional work. Disputes that cannot be settled by the Labor Ministry go to appropriate Labor Courts. There have been only about a dozen strikes in the past 24 years.

Panama is giving top priority to education. Many of the primary and secondary schools now are operating on the *doble tanda* (double shift), morning and afternoon, in order to utilize more fully existing facilities. This has tended to cause something of a delinquency problem by turning children out in the streets during half of the day, but it is giving a basic education to more children than ever before. It is not unusual in the small villages to see classes held under open, thatch-roofed shelters, and in the cities there is a need for more facilities. School is compulsory through the sixth grade. The school system is patterned more after European systems than North American, but English is taught from the first grade. (In the Canal Zone, Spanish is taught from first grade.)

After finishing the six-year primary, students may go on through first and second phases of secondary school, comparable to junior high and high schools. In secondary schools there are also arts and trade schools and vocational schools. Primary school teachers are trained both in secondary schools and in the National Normal School.

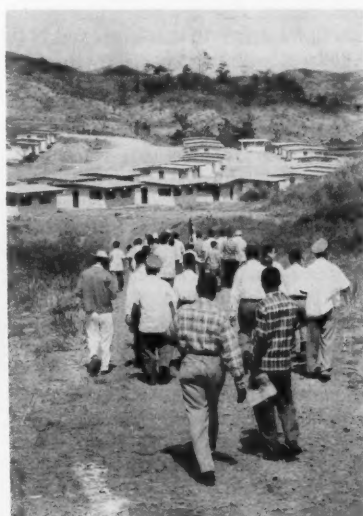
The emphasis being placed on education in Panama is pointed up by the appropriation of \$15.6 million for secondary education in 1961, representing 25 per cent of the national

budget. Enrollment in public and private secondary schools for the May 1960-February 1961 school year was 155,000 students. Yet an estimated 24 per cent of urban children and 44 per cent of rural children of school age are not attending classes. The literacy rate is estimated at 70 per cent, somewhat higher than Colombia, but considerably lower than neighboring Costa Rica.

The University of Panama opened its doors in 1935, which makes it one of the younger institutions of higher learning in the hemisphere. In its earlier days the plan was to make the institution a "University of the Americas," but when support was not forthcoming from other nations, the plan was dropped for the time being, and in 1946 the school became the University of Panama. Today the University boasts a handsome campus with 10 ultra-modern buildings (more are needed) housing 16 schools. It will receive \$1.2 million to operate in 1961. The student body has grown to about 3,500 with a faculty of 139.

Agrarian reform is coming in for considerable attention in Panama at the present time, and a new agrarian reform Code (Codigo Agrario) is scheduled for action by the National Assembly in October. It is significant that this bill is being sponsored by President Roberto Chiari, himself one of Panama's biggest land owners. Under terms of this legislation, which is a sort of "Homestead Act" a la Panama, vast tracts of undeveloped state-owned lands will be distributed to the landless. Privately owned lands held out of production, often by absentee owners, will be taxed at rates that increase progressively year after year until it becomes unfeasible for

LEFT: LaSalle college, a modern parochial institute. CENTER: fresh air, cleanliness and modern living. RIGHT: National University. New housing project on edge of Panama City; a better world of university campus.



the owners to retain the lands in an unproductive state. The Code is designed to head off a fate similar to that which overtook Cuba, and at the same time help to increase agricultural production.

Fidelismo, quite a strong force in Panama only a year ago, is on the wane today, and such communist inroads as have been made in the Republic are under heavy attack in all walks of life. Private anti-communist groups are conducting a full-scale advertising program to make the people aware of the communist menace. Communist leaders are being publicly pinpointed. A Panama City group calling itself the "*Comando de la Libertad*" publishes a little magazine called *Alerta* designed to unmask the communists. *Alerta* recently published a list of all Panamanians who have sojourned behind the Iron Curtain for what the group believes may have been subversive reasons during the past eight years. The group operates by the credo that you "have to fight communism with the communists' own methods."

Main communist strongholds in Panama are said to be Chiriqui Province and Colón—Chiriqui because of the banana plantation unions which are said to be heavily infiltrated. The communist party leader there is said to be a David lawyer with a \$15,000 monthly budget to promote the aims of the party. A Czech-trained union leader heads the communist party in Colón, where the Reds have made some headway in the past because of chronic unemployment. In Chiriqui, the relatively new Christian Democrat party, while standing for land reform, spearheads the anti-communist drive. At Colón, it is men like Vice President José D. Bazán, who resigned as head of the Republican Party to take the non-political post of manager of the Colón Free Zone, who form the bulwark against further communist advances.

In 1946, Canal Zone operations began a withdrawal from the Colón area. The Free Zone idea was advanced to take up the slack, and has since grown out of all expectations. Industry, such as two refineries and a cement plant, have come to Colón, but the city has grown as rapidly as the new sources of employment, and the best Colón civic leaders have been able to do, is to hold the line with some 10 to 12 per cent unemployed. To thwart communist efforts to exploit these conditions, Vice President Bazán works hard to increase Free Zone activity, to generate capital investment in industry, and to rehabilitate the slum areas. He would welcome more help from the United

States—at least a consistent policy.

"Panama," says the Republic's congenial Veep, "is 'Custer's Last Stand' in Latin America. It is the showcase of the United States in Latin America. For that reason if no other, Panama deserves preferential treatment. Castro offers something you have not, and that is a plan to capture the imagination of the people. The United States has to have a plan, a fixed policy, that we can rely upon."

The United States has done a great deal to improve the climate for the fight against communism and Fidelismo in Panama over the past year. U. S. Ambassador Joseph Farland's policy of getting out among the people has helped greatly to warm over U. S.-Panama relations. The present military commander in the Zone, General Bogart, follows similar policies. President Eisenhower's nine-point program, initiated during his last year in office, plucked some irritating thorns out of sensitive Panamanian flesh (i.e. permitting Panama's flag to fly in the Canal Zone). President Kennedy's "Alliance for Progress" program offers new hope for Panama's future.

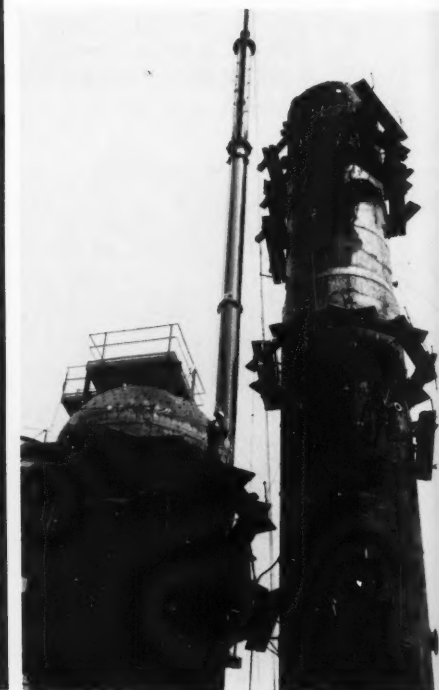
On the other hand, a number of irritating issues remain to be smoothed over, and so long as they exist, they are ammunition for communist agitation. Ex-President Ricardo (Dicky) Arias in a recent talk listed four major issues contributing to U. S.-Panama friction: 1) The matter of sovereignty over the Canal Zone; Panamanians still consider the Zone a part of their territory; 2) the belief that Panama does not yet receive her fair share of economic benefits from the Canal operation; 3) the matter of inequality of wages paid Panamanians working in the Zone; and 4) the perpetual character of the Panama Canal concession.

Some of these are sores that it will take a long time to medicate, and both countries will probably have to face up to some cold realities in the process—but if a start has been made, it is perhaps time to get on with it. Aside from Zone problems, President Kennedy's tax proposal relative to the so-called "tax haven corporations" (see Q&A) has not helped the climate of U. S.-Panama relations. Such a proposal, should it become law, would be most damaging to Panama's economy, and so to the socio-political situation.

But the U. S. President's "Alliance for Progress" program, if it materializes on a grand enough scale and if it is properly handled, can work minor wonders both in the social development of Panama and in the political climate that is so closely tied to social progress. ●



Pipelines to feed new oil refinery and rising smokestacks symbolize the new industry of Panama.



Realistic Goals Promise

Decades of Economic Growth

ECONOMIC development goals that Panama has set for itself are realistic ones, aimed at exploitation of the nation's natural resources. Resources are there in abundance. Long-range development programs are currently being formulated by a planning commission that reports directly to the President. The responsibility for carrying out development plans rests on the capable shoulders of an autonomous government agency, *Instituto de Fomento Economico* (Economic Development Institute), commonly called by its initials IFE (pronounced EE-eh).

The purpose of IFE is to aid, encourage and guide development of the nation's agriculture, livestock and industry toward a balanced national economy. Beyond these functions, IFE maintains a hands-off policy, because the Constitution states that the economy of Panama shall be developed primarily through private enterprise. Toward that end, an Investment Incentive Law was passed in 1957, to attract and encourage capital investment in the exploitation of natural resources.

Panama stands today at the threshold of a decade of anticipated economic growth that portends to put to shame the progress of any era since the Canal was built. Panamanians are abustle with activity. Utmost attention is given given spadework for the big push ahead on all fronts. At this point, what do we see as the economic foundation from which the Republic hopes to build?

Chart A shows the economic picture at a glance, based on latest official statistics available at the time of writing. The population of 1,066,313 is increasing at a rate of 3.2 per cent a year and economic growth is hard pressed to keep abreast. Yet a per capital income of \$318 in 1958 increased to \$340 in 1959. Breakdown of the gross internal product of \$354.8 millions for 1958 shows the division of the economy:

Chart A shows that agriculture (forestry and fishing) at \$96 million, accounted for 27.1 per cent of total product. Panama is primarily an agricultural nation. Public services (nec-

essarily high at this stage of development) and private services accounted for the next largest slice, at 17 per cent. Internal trade (Panama has always been a nation of traders) came next, with 12.1 per cent; purchase of housing, 11.5 per cent. Manufacturing at \$32.2 million, 9.1 per cent, was well down the list, but industrialization is being pushed all along the line. Services rendered the Canal Zone though less impressive are still important to the economy of the Republic. We will go into these aspects of the economy individually farther along.

Panama is unique among Latin American countries in that it is able to go along consistently year after year supporting a huge trade deficit (\$98 million in 1960) without depleting its foreign exchange reserves. The deficit is offset by tourist spending, Colon Free Zone and Canal Zone activity, including the Canal annuity now increased to \$1,930,000. There was a decline in reserves, temporary in nature, between 1959 and 1960 of \$6 million.

Panama's total public debt at the end of 1960 stood at \$104.1 million; external debt accounted for \$48.9 million of the total. The government budget for 1961 is \$63.1 million, an increase of \$6.2 million over 1960. The Unit of currency is the Balboa, defined in terms of gold on a par with the U. S. dollar. The dollar is the medium of exchange and the commercial price unit and moves in and out of the country without restrictions.

Panama has built a sound, progressive banking system around the Banco Nacional. This bank, an autonomous government institution, has 12 branches located around the Republic, and three savings banks. Two new government banks are planned for this year: the People's Credit Bank and an Agricultural Credit Bank. The Social Security Fund makes extensive

loans, largely in real estate, in competition with the banks. Private banks do a healthy business in the Republic in competition with Banco Nacional. They are the Chase Manhattan Bank, with headquarters in its new, modernistic office building across from El Panama Hilton; the First National City Bank of New York, the Banco Fiduciario de Panama, Banco General, and a good conservative little bank called Banco Suizo-Panameño. Both the Banco Nacional and some of the private banks are now offering the service of coded accounts, such as have helped bring Swiss banking into the position of world prominence it has achieved. Banco Nacional has initiated a concept of money new to many Panamanians in rural areas by actively encouraging savings through its branches in the smaller towns. Demand deposits in Panamanian banks totaled \$75.2 million at end of 1960. Average interest rate on commercial paper is six per cent. There is sentiment for increasing the number of credit cooperatives for small loans to farmers throughout the Republic, and IFE also makes farm loans.

In the area of public financing, Panama received three foreign loans in 1960. They were a \$5 million ICA loan for budgetary support; a 15-year World Bank loan of \$7.2 million and a DLF loan of \$5.3 million for construction of feeder roads. Loans are currently being approved by the IADB for construction of public housing.

In the realm of public development of Panama's economic base, the government's "Plan Vial" is getting under way to provide remote areas with feeder roads. It is in connection with

this program that the above \$12.5 million is to be used. This program is vital to Panama's planned agricultural expansion and the opening of new farm lands. The Pan American Highway Congress meeting in Bogotá last year approved the Darien route chosen by Panama and Colombia to link their two countries, and recommended appropriation of funds to finance preliminary work on the \$70-million highway project. The Highway has been pushed into the Darien another 10 miles beyond Chepo to El Llano and heavy earthmoving equipment is operating some 75 miles farther into the Darien, clearing right-of-way through the jungles in a Point-Four sponsored training program.

Excellent paved road runs west from Panama City 157 miles to Santiago, but there remain some unpaved sections between Santiago and the Costa Rican border, about 200 miles distant. There are several paved roads, aside from the Pan American Highway, in Chiriqui Province. The Republic maintains many miles of good paved highway in the vicinity of Panama City and Colón, including the Trans-Isthmian Highway. The Panama Railroad, U. S. owned, lies within the Canal Zone and handles trans-Isthmus shipping between Panama City and Colón. The Canal, itself, is not used for national transportation because of high cost of transit, but the Trans-Isthmian Highway has taken the lion's share of transcontinental freight away from the railroad. Railroads in the Republic are limited to three systems in the western provinces of Chiriqui and Bocas del Toro. The state-owned Ferrocarril Nacional de Chiriqui operates 124 miles of narrow-gauge track connecting David with Boquete and Potrerillos in the high country, also with the nearby little port of Pedregal, and with the Republic's biggest seaport, Puerto Armuelles. The Chiriqui Land Company (United Fruit Company) operates the other two lines: a 97-mile network linking the banana plantations with Puerto Armuelles, and a similar system on the Bocas del Toro side of the Isthmus.

Puerto Armuelles not only handles most of the banana exports and some other export crops, but serves as the major port of supply for Chiriqui Province, in terms of imports. Pedregal is used mostly for coastwise shipping. Bocas del Toro has a 1,000-foot dock used primarily for export shipping of bananas, abaca and cacao. Panama City uses the port facilities of Balboa in the Canal Zone, served by 64 steamship lines regularly transiting the Canal and connecting with all points of the globe. Colón, on the Atlantic side, is served equally well

CHART A: PANAMA'S ECONOMY AT A GLANCE

ITEM	1958	1959	1960
	—millions of dollars—		
Gross National Product	\$367.2*		
Gross Internal Product	354.8		
Agriculture (seafoods and forestry)	27.1%	96.0	
Public and private services	17.0%	60.2	
Wholesale and retail trade	12.1%	43.1	
Ownership of housing	11.5%	40.7	
Manufacturing	9.1%	32.2	
Services rendered			
Canal Zone	7.7%	27.4	
Construction	5.2%	18.4	
All others	11.3%	36.8	
National Income	318.2	340.4	
Per Capita National Income	\$318.00**	\$340.00**	
Population			1,066,313**
Population growth rate			3.2%**
Federal Budget (1961)	\$63.1 million		
Total Public Debt			104.1
Demand Deposits (banks)			75.2
Foreign Exchange Reserves		129.0	123.0
Exports	20.2	22.3	
Imports	92.8	98.3	

*Latest official figures available

**To be read in exact terms

through the port facilities at Cristobal in the Canal Zone, and a survey is being made preparatory to building dock facilities for the Free Zone in Colón, itself.

Panama's Tocumen International Airport is the hub of air transportation for the hemisphere, and some 12 regularly scheduled airlines connect it with all points of the globe. The interior of Panama is well served by air through the national airline, COPA.

In the field of power, private utilities supply about 94 per cent of all generated power in the Republic. In 1960, Compañía Panameña de Fuerza y Luz (American and Foreign Power Company) generated 168.9 million kwh in its Panama City and Colón plants. Second biggest producer in Panama is Electricas de Chiriqui, with a 4,224 kw hydroelectric plant at Caldera, the only hydroelectric plant now in Panama. A 12,000 kw, \$20 million hydroelectric plant is planned at La Yeguada as a key installation in the electrification of the Central Provinces, now underway. Communications-wise, the telephone system of Chiriqui Province has recently been put on a microwave hook-up connecting all points within the Province and connecting the Province with Panama City. The entire system of the Republic is scheduled to be converted to microwave by November. At the end of 1960, there were 25,430 telephone subscribers in the Panama City-Colón areas.

No picture of the economy of the Republic of Panama can be complete without citing the impact on that economy of the Canal Zone. Direct Zone spending in Panama in 1960 amounted to \$44.4 million. Of this amount, more than \$25 million derived from operation of the Canal (about 50 per cent of Canal toll revenues); the remainder was spent by various government agencies and the military, derived from tax funds. Panama also benefitted from additional spending from the Zone, difficult to pin down in exact terms of dollars and cents, but estimated at around \$19 million, in the form of spending by private citizens living in the Zone and by private contractors doing Zone work.

The \$44.4 million Zone spending includes the following: largest single item, wages of \$27.9 million paid to some 16,000 Panamanian citizens working for the U. S. government (about 2,500 of these live in the Zone); \$5.6 million in contracts to local firms (the Canal Company is in the middle of a \$60 million Canal improvement project); \$2 million to former employees who are Panamanian citizens; the \$1.93 million annuity to Panama; \$2.33 million for foodstuffs (this represents mostly new income for Panama and will increase even more—see agriculture articles); and about \$3 million in other goods and services purchased in Panama.

Even though each new year sets

a record for Canal transits (10,795 transits in 1960, up more than 1,000 over 1959, and representing 60 million tons of cargo), Panama cannot count on any great increase in benefits from the Canal, unless either individual wages of Panamanian workers, or the annuity, are radically increased in years to come. With mechanization doing away with more and more jobs in the Zone, the labor potential is pretty well saturated. There may be some healthy increases in goods, such as foodstuffs, purchased by the Zone from Panama, but that is about all the Republic has to look forward to at this time.

Because of its strategic position, Panama has always been a center of world trade and commerce. Chart A shows that in 1959 (last year for which statistics have been released) the Republic exported \$22.3 million worth of goods, imported \$98.3 million worth. The United States took 96.4 per cent of Panama's exports, supplied 52.1 per cent of its imports representing a decline relative to those from Europe and Asia.) Chart B shows that bananas were by far the biggest export commodity, followed by shrimp, cacao, coffee and sugar. In spite of Panama's progress in agricultural development, foodstuffs remained the country's biggest import outlay, followed by chemicals, petroleum, automobiles, machinery.

Rapidly mushrooming trade through the Colon Free Zone benefits Panama indirectly in many ways. In 1960, trade valued at \$131.4 million passed through the Free Zone, 20.6 per cent increase over 1959. Of the total, 42 per cent represented imports, and 58 per cent exports. Most of the goods passing through the Free Zone are destined for processing storage and transshipment by sea or air. The Zone is a great employment boon to the Colón area.

Panama's merchant marine, once rated eighth in the world, now shrunk to tenth, consists largely of "flag of convenience" ships, mostly tankers. Few of them have probably ever been in Panamanian ports, but they represent in excess of \$1.5 million a year to Panama in registration fees (\$1.00 a net ton), annual tonnage tax and consular fees. Recent labor trouble in the United States has disturbed Panama which fears U. S. ships may be forced to pull out. Greek ships already are pulling out to register under their own flag.

Up to now we have been establishing the bases of the Panamanian economy—traditional sources of income, patterns of trade, the banking system, utilities, transportation systems, resources, national income, rate of

economic growth. Figuring perhaps just as importantly in defining a base for economic expansion in a developing nation is the government and quasi-government machinery set up to guide and encourage this growth. In the case of Panama, let us now take a look at this vital factor.

We have mentioned that the organization most responsible for translating plans for orderly economic growth into hard, productive realities is the autonomous agency *Instituto de Fomento Economico*. José María Sanchez is director general of IFE. His agency is charged with guiding and encouraging development in three fields: agriculture, livestock and industry. In agriculture, IFE is concerned primarily with credit at all levels, technical assistance and price support. To aid small producers, IFE introduced the "Juntas Rurales" system. A board of consultants from each locality sits to decide credit up to \$300. This program is now making loans to small farmers on an average of \$20,000 a week. At higher levels, a farmer has to apply at the main office with a complete economic analysis of his position. IFE operates 15 credit agencies all over the Republic.

Mr. Sanchez is now concentrating on correcting policy matters that he believes faulty in IFE's credit system. "Panama," he says, "is facing a crisis in agricultural production. Why, after eight years, do we still have to import corn and rice?" As a result, IFE is undergoing a study of its capacity to handle credit. Perhaps, Sanchez argues, all factors have not been considered in the issue of individual credits. He poses a question as to whether proper techniques and vigilance have always been used in granting credits.

In the field of livestock production, IFE is active in providing credit for ranchers. However, the agency's most important program here is that of artificial insemination to improve herds. Semen from purebred animals in the United States is made available by IFE for distribution through the *Instituto de Ganadero*, with the help of U. S. Army veterinarians.

In the field of Industrial development, IFE helps to train technicians and makes feasibility studies for various industries. The agency works closely with the Presidential Planning Commission to determine what industries to give priority for development, and coordinates the work of the two bodies. IFE is currently making studies of the allocation of public investment in Panama, studies that will then be sent to Washington in support of requests for loans. The World Bank is presently considering a \$7 million



A skilled Panamanian welder is an integral part of the new industrial boom.



Tomatoes grown at Baquete being sorted for shipment to Canal Zone and Panama City.

Irrigation ditches for rice, an expanding program in Panama.



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rural electrification program prepared by IFE. Next year IFE will turn over its electrification program to a new agency that is coming into being. IFE is currently seeking \$6 to \$7 million from the IADB for industrial development. Part of these funds, sought for agricultural development and credit, will come under the Act of Bogotá. Mr. Sanchez believes Panama's chances of getting the loans it seeks are very favorable. "We have the determination," he declares, "to work for both economic development and social progress."

IFE's Mr. Sanchez sees many advantages for Panama in joining the Central American Integrated Market. "There is a reluctance among some Panamanians to join the common market," he says, "because they don't realize the advantages. They don't realize that it is a flexible agreement among countries." He is especially concerned with the necessity to integrate industries. "Panama has recently invested \$60 million in two refineries," he points out. "There are two refineries going up in El Salvador, one each in Costa Rica, Nicaragua and Guatemala. This is crazy. Of course there are problems of an economic and financial nature to be worked out, but I feel that in general terms an agreement of this kind will help to develop industries in all of the countries."

The Industrial Development Center of IFE was founded five years ago as a joint function of IFE and the U. S. Point-4 Program in Panama (now turned over entirely to IFE) to stimulate investment in productive industries. The acting director of the Center at present is an attractive young woman of Chinese descent, Miss Phyllis A. Fong, an industrial engineer. The Center is active in three fields: 1) feasibility studies of industries suitable for Panama; 2) technical consultation for established industries; and 3) training of supervisory and management personnel for industry.

At present, the Center has underway eight feasibility studies, including the feasibility of a local branch of the Inter-American Development Bank, a pulp and paper mill for Bocas del Toro, a particle-board plant for forest products, a marine resources study, glass and rubber plants, leather and shoe factories, etc. The facts derived from these studies are then distributed to local and foreign private enterprises that may be interested in these fields. Regarding technical consultation, the Center brings in technicians to help industries solve specific problems and distributes technical information in general. In July the Center is beginning one of its four-month business

management seminars, using Mexican professors and with 40 Panamanian businessmen in attendance. In this manner, the Center hopes eventually to cover all interested management personnel in Panama, and perhaps to work the seminar into a curriculum at the University.

The Industrial Development Center through its training programs helps fill one of the dire needs that any developing country like Panama is bound to experience. That is the need for technical and managerial know-how. A second urgent need is for investment capital. In the public sector, funds are being sought through IFE. But, as a free enterprise economy, Panama urgently needs private capital, as well. To attract private investment, Panama has made two important moves: 1) passage of the Investment Incentive Law of 1957, and 2) recent signing of an agreement with the United States Investment Guarantee Program of the ICA, guaranteeing U. S. investment capital against expropriation. (No industry has ever been expropriated in Panama.)

The Investment Incentive Law grants a number of privileges and concessions for up to 15 years to industries designed to develop the natural resources of the country. These include exemption from a variety of taxes and duties. In some cases, tariff protection may be offered against competitive foreign imports. Industries are not exempt from income taxes on domestic earnings, but they are exempt from income taxes on earnings derived from activities outside the country. The law is especially favorable to foreign investment engaged in resource development and industrialization. U. S. investors as far back as 1954 had a total investment in the Republic of Panama of \$433 million.

Panama's income tax ranges from 2 per cent on \$2,400, through 11 per cent on \$100,000, to 25 per cent on \$1 million. Panama's labor market is not very big, about 300,000, and 53 per cent of these are employed in agriculture, but in the cities at present there is 8 to 10 per cent unemployed. There is a fair labor code guaranteeing workers their rights and spelling out obligations of employers, but there has been only about 12 strikes in 25 years. Wages and salaries range from about \$70 a month for the unskilled male worker (\$40 unskilled female) to \$160 a month for a skilled mechanic. Office help such as secretary, bookkeeper and clerk make about \$135 a month.

INDUSTRY in Panama is a mere infant, just cutting its first teeth and beginning to stand on its still some-

what wobbly legs. But the young legs are daily showing signs of strength and the new teeth are coming in sharp and hungry. Agriculture in Panama is the mother of industry. Middle-aged, it allowed itself to drift into indifference; but now it is shaking off lethargy, learning new skills, finding new purpose, broadening its interests, growing.

A glance at Chart A might give the idea that Panama is a proverbial "banana republic." But if you look behind the banana, you see this is no longer so. It is true that bananas are Panama's biggest export crop. The Chiriqui Land Company (a subsidiary of United Fruit Company) produced 8.4 million stems in 1960. Other crops typical of the tropics ranked high in the export picture—cacao, coffee, sugar. But the big change that represents Panama's "new agriculture" is taking place in other fields, in crops that Panama has long imported on a large scale, but in which it is now becoming self sufficient.

One such crop in which great strides have been made in recent years is rice, the basic staple of the Panamanian's diet. The country is now self-sufficient in this important crop, once a major import item. Rice is grown largely on the black, sandy soils of Chiriqui Province. Figuring importantly in Chiriqui rice produc-

tion is a cooperative patterned after one in Arkansas. This co-op supplies growers with seeds, fertilizers and chemicals, and grades and markets crops so as to assure a fair price for each of 31 member growers. The co-op gets credit assistance from IFE, and technical help from SICAP (Servicio Interamericano de Cooperacion Agricola de Panama, a joint organization of the Ministry of Agriculture and the U. S. Point-4 Program). In all of the Republic, there are 64,250 rice growers planting 97,400 hectares. The industry is 20 per cent mechanized but small farmers still account for 80 per cent of the crop, which amounted to 77,433 short tons in 1960.

SICAP, which is doing much to increase and improve agricultural production in Panama, through experimentation and the teaching of new methods, has its biggest branch office in Chiriqui Province. Here, under the direction of Guillermo Villegas, SICAP has four experimental stations: 1) cattle—to teach the value of artificial insemination, fertilizers and supplementary feeding and to experiment with different pastures; 2) vegetable oil production—to experiment with and teach the growing of sesame, soybeans, peanuts, and other oil-seed crops; 3) rice, under irriga-



J. M. Sanchez, head of Instituto de Fomento Econmia which directs agriculture and industry development.



Fritz Collins, a North American who is credited with being one of the first in developing Panama's shrimping industry, is also a coffee and vegetable grower.

GOLDEN EAGLE REFINING COMPANY OF PANAMA INC. (REFINERIA GOLDEN EAGLE DE PANAMA S.A.)

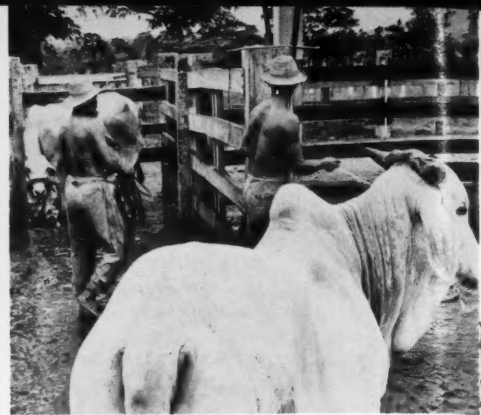
Presently under construction in Porto-
belo province of Colon.



Construction work begins on a new cement plant.



Young coffee trees on ranch of former President Arnulfo Arias.



Purebred Brahmas at Las Mercedes ranch in Chirique province.

tion—to experiment with different kinds of rice, disease controls and crop rotation techniques; and 4) dry-land production of rice—a program similar to the irrigated project. Important work is being done by SICAP, with the help of ICA funds and the Rockefeller Foundation, in providing Panama with a controlled program for the growing and storage of quality seeds.

The cattle industry has mushroomed in Panama, and the republic is verging on selfsufficiency in both beef and milk products after a long history of imports. Through programs sponsored by IFE and SICAP the cattle industry has advanced both in quality and quantity. Purebred herds of Brahama cattle graze the rich pastures of Chiriqui and the Central Provinces, and the industry accounts for about one-third of the gross agricultural product of the Republic. Some 85,000 head of cattle are slaughtered annually to feed the Republic and the Canal Zone. The industry is looking forward to exporting beef to Miami soon.

Another field of great promise in Panama's agricultural future is that of quality, graded vegetables. Vegetables had been grown for years in the cool, fertile "Valley of the Rainbows," around the picturesque little town of Boquete at an elevation of 3,500 feet. But the vegetables were of indifferent quality and commanded even more indifferent prices. SICAP stepped into the picture last year, encouraged production, organized a system of grading vegetables, and arranged a system of marketing that includes both Panama City and the Canal Zone. The Zone, hitherto, had imported most of its vegetable needs. To get production into high gear, SICAP organized a vegetable growers' cooperative under direction of Carlos Landau.

During its first four months of production, the cooperative sold 400,000 pounds of No. 1 tomatoes, 100,000 pounds of bell peppers. Tomatoes sold at 16 cents a pound, compared to a

previous high of 8 cents. The co-op group, about 50 growers with from 5,000 to 10,000 plants each, will soon be turned out on its own by SICAP, as a private enterprise. It plans future off-season shipments to Miami, in addition to increasing its Canal Zone sales.

An example of Yanqui ingenuity at work in Panamanian agriculture is seen in Fritz Collins of Boquete. Though not a part of the vegetable co-op group, Collins and his Panamanian partner have gone into large-scale production of vegetables in the past year. Higher up the mountain slopes, above the vegetable and citrus plots in the valley of Boquete, Collins owns one of the coffee *fincas* that surround the valley. In this valley, Panama's finest coffees are grown. And still higher, above the 7,000-foot level, Collins is clearing still more land for the growing of potatoes, lettuce, cabbage, celery, and the like.

Most of Panama's coffee crop, both the high quality coffees grown around Boquete and the lesser grades grown in the Central Provinces, is for home consumption. However, last year Panamanian coffee made important sales inroads on the West German market. Much of it goes to the United States market as well. With more than 15-million trees in production, Panama last year produced 5.7 million pounds of coffee.

Tobacco is finding favor as a crop, especially in Chiriqui. Panama grows virtually all tobacco consumed in the Republic. But a crop with still greater potential appears to be citrus. Sweet, juicy Navel oranges have long been the pride of the Boquete and Potrerillos areas of Chiriqui. Now there is coming to Potrerillos a company called Citricas de Chiriqui financed by the same D. K. Ludwig that is building one of Panama's two refineries. This Texas company has already planted some 400 hectares of citrus in the rich volcanic-ash soil, and plans to sink millions into this venture that will not begin to pay off for another seven

or eight years. A complete processing plant figures as a part of the venture. The fruit will be packaged in plastic bags for shipment to European markets, and there is "far out" talk about a pipeline to carry citrus juices across the mountains to Bocas del Toro for shipment by tanker to markets abroad.

Among other plants being built to process Chiriqui's rich agricultural produce, is a \$500,000-instant coffee plant going up in the Valley of the Rainbows above Boquete. An Arnulfo Arias interest, this property is located in the heart of the finest coffee *fincas*, at a *beneficio* that presently packages *Princesa Janca* brand coffee.

The sugar cane that is grown in Chiriqui Province goes largely into the production of liquors. Sixty-five per cent of all liquors consumed in Panama is produced in this province. Vinicola Licorera, S.A., in David, produces the very fine Carta Vieja rum. One of the nation's two large breweries is located in David, Cervecería del Barú; the second is the National Brewery in Panama City. Vitalac Powdered Milk plant is located in David, which, together with the Nestle plant at Aguadulce in the central province of Coclé, has made Panama selfsufficient in powdered and canned milks, once important import items. Vitalac is now turning to the canning of vegetable and fruit juices.

The Central Provinces—Veraguas, Coclé, Herrera, Los Santos—though not so rich agriculturally as Chiriqui, are nevertheless important producers of cattle, coffee, rice, sugarcane, vegetables and other crops. The Aguadulce area grows most of the sugarcane that goes into outright sugar production, and this acreage is being enlarged to take care of Panama's recent 10,000-ton quota increase. Aguadulce is the home of President Chiari, himself owner of large sugar interests.

Chiriqui Land Company's 1960 production of 8.4 million stems of bananas, represented a comedown of 8.1 per cent from 1959, due largely to a costly blowdown in mid-1960

and a general strike of 10,000 banana workers late in 1960. Chiriqui's Bill Mais looks to 1961 with carefully couched optimism. The strike has been settled with a two-year contract, but the market in the States remains considerably off.

Elsewhere, at Salud, near Colón, the Amsterdam Company cleared 800 hectares for the planting and production of palm oil. Oil-bearing crops have become important in Panama. It is interesting to note that though Panama exports some 1.4 million coconuts, it has to import another 1.2 million to satisfy its own needs. This is largely because most of the coconuts and copra are produced on the San Blas Islands by Indians, who prefer to sell their products in neighboring Colombia where they get higher prices.

While Panama's agricultural production is increasing steadily in most fields due to adoption of modern methods, the use of fertilizers and insecticides, mechanization and the bringing into play of new lands, much still needs to be done. Panama still spends upwards of \$12 million a year on foodstuffs, more of which might be produced at home. More irrigation would help immensely to increase production during the six-month dry season. It is the opinion of many that a great deal of land could be brought

under irrigation without costly dams, merely by making use of gravity flow from the many steeply-falling mountain streams and by putting in a system of canals.

The Codigo Agrario (Agrarian Reform Code) that goes before the National Assembly in October may eventually help increase agricultural production. This Code is designed to bring into production large tracts of unused land belonging to large land owners, many of whom are absentee landlords. By taxing unused lands, it will be made unprofitable for owners to hang onto them. Either they will take steps to bring these lands into production or be forced to surrender them to the State for parcelling out among small farmers. Vast state-owned lands (70 per cent of the total land area in public lands) will be opened up to development and parcelled out to small farmers under a system similar to the U. S. Homestead Act. The Code also is concerned with credit, technical assistance, prices and markets. The Agrarian Code stands every chance of favorable action, since it is sponsored by the big land owners, themselves, including President Chiari, all of whom would have much to lose from a repeat of the Cuban performance in Panama.

About 20 per cent of the country's land area is listed as farmland, divided

into 85,500 farms averaging 13.4 hectares. Some 53 per cent of the country's people are farmers, compared to 13 per cent in primary and secondary industries. Another 70 per cent of the land area is listed as forest land. There are some 57 sawmills in operation in the Republic. Among feasibility studies being conducted by the Industrial Development Center, are studies dealing with pulp and paper mills and a particle-board plant for utilizing forest products.

One of Panama's leading industries, a relatively new industry in Panama, second only to bananas as an export item, is the shrimping industry. Estimated production for 1960 was between 10 and 11 million pounds. Export value placed on shrimp in 1959 exceeded \$5 million, roughly 25 per cent of all exports.

Meanwhile, some primary industries are making belated appearances on the Panama scene. Chief among them are two \$30-million refineries designed for 30,000 barrel-a-day capacities (gasoline, diesel oil and kerosene). Completed and almost ready for production, on Payardi Island in Las Minas Bay near Colón, is Refinería Panamá, S.A., a joint interest of Continental Oil and D. K. Ludwig, the Texas tanker magnate. Included as part of the project is construction of a \$200,000 pier that will accommo-



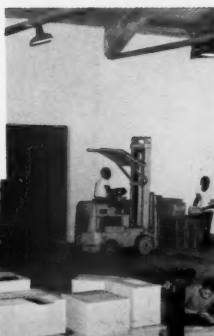
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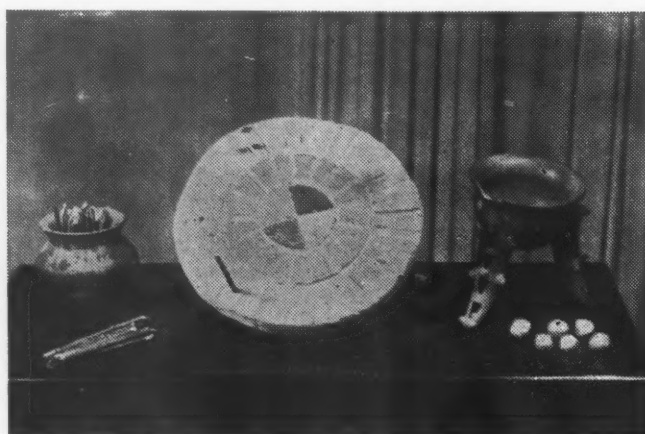
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The Calendar Of The Ancient Indian Tribes Of The Chiriqui Region

One of the studies of the International Humanitarian and Science Research Foundation in the Republic of Panama.



The Chiriqui Indian Calendar with containers and equipment to tabulate the lunar and solar months.

The Calendar, as presented, is a combination of studies and discoveries. The face of the calendar itself, is a reproduction, enlarged, of a stamp in the Yale collection, and described in a Study of Chiriquian Antiquities of Yale University, but apparently not recognized as a calendar.

The outer circle is divided into twenty nine segments, which accounts for the lunar month, which to this day remains a most important measurement of time to the surviving Indians of the Isthmus and Costa Rica. The second segment of the circle, equal to the second day of the new moon, has a hole to accommodate a stick which was so placed to begin the tabulation of the lunar month, and for each day another stick was placed in a container for the purpose, until the lunar cycle was completed.

The second circle of segments represents the solar year, divided into sixteen months of equal length and one uneven. The sixteen solar months of twenty two days each make a total of three hundred and fifty two days which leaves thirteen or fourteen days for the ceremonial month, which could be either the last month of the old year or the first month of the new. Tabulation of the solar months was made by placing clay balls or small pebbles in a container. A number of these clay balls have been found in ollas taken from guacas in the Boquete area.

On the western slopes of El Volcan de Baru reliable observers have reported a pyramid whose location from a certain high point approximates the line of the setting sun at the time of the Winter Solstice. Also, to the south of this location exists a

large monolith whose position from the common observation point would indicate the Summer Solstice. Reports of two pyramids similarly located on Hornos, where a large Indian population existed, have been reported. All of these locations are in areas of difficult access. Other observation points of a similar nature also exist.

Near Alanje was found, a series of large circles outlined in stones on the ground, with enough divisions for each day in the year, as well as lunar and other phases, but has since been destroyed by plowing for a rice planting. A problematic use of this layout was to record the forecasts and other matters of interest to the peoples.

The use of the center section remains in doubt. The four divisions have been suggested as representing the four seasons, the four directions, the four phases of the moon or some other unknown factor. However many of the Indians still divide the day into four parts, morning, afternoon, before midnight and after midnight. This study is still carried on thru a number of different investigations.

The establishment of this calendar should remove any doubts as to the levels of civilization with respect to knowledge of the seasons which was attained by these early inhabitants of the Chiriqui region. Many practices and traditions indicated by this calendar still remain in the folklore and daily lives of the peoples who now inhabit this region, handed down by custom and inheritance.

date ships up to 10,000 tons. The second refinery is Refinería Golden Eagle de Panamá, S.A., a British interest, also with a 30,000-barrel capacity. At present, Golden Eagle is a beehive of construction activity as the Bechtel Corporation, contractors, pushes for completion by the end of this year. The plant is being built on a point of land that juts out into the Bay in the vicinity of Portobelo, near Colón. Each refinery will eventually employ about 1,500 men and will help alleviate the unemployment problem at Colón. Panamanian workers already are being trained in the States to take over operation of the plants upon completion. Crude oil will come mostly from Venezuela and Colombia, some from the Middle East, and much of the finished products will be sold abroad.

Cemento Panamá, S.A., up to now the nation's lone producer of cement, opened an asbestos cement plant last December and has just completed construction of a fiber cement plant. Capacity is now being doubled, to 5-million bags, at a cost of \$2 million. Panama possesses few known minerals. Late in 1960, Panamanian Delhi Petrolera, Inc., began drilling an 8,000-foot test well in the remote Darien, where the firm has a 650,000-hectare concession, but there have been few favorable results in oil exploration.

The Panamanian Government and individuals like Mr. Bazán are working hard to generate investment for industrial activity in the Republic. The Investment Incentive Law of 1957 has worked to encourage industrial expansion. But perhaps the most important moves the Republic has made to attract industrial investment, have been signing of the U. S. Investment Guarantees Agreement, and the expressed opinions of leaders that Panama should join with Central America in an integrated market. The smallness of Panama's market has worked against large-scale industrialization, but a common market would help get around this. Presence of the Canal and abundance of shipping, the geographic location of Panama vis-a-vis the two continents and world shipping lanes, are industrial advantages. But the relative smallness of Panama's labor force would work against large scale industrialization.

The brightest spots in Panama's industrial future would appear to be in the agricultural processing industries, in forest products industries, and in certain light consumer goods industries. The Colón Free Zone should continue to grow rapidly. In these areas a great deal of progress may be looked for in the decade ahead. •

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Following

Footsteps

Through Time



WHEN you come down to Panama you follow in the footsteps of travelers to this tropical isthmus over a period of time of four and a half centuries. Many of those who passed this way, and remained for a while, left their mark somewhere on the land. And that is the thing you will perhaps find most fascinating about Panama. If you want to go back still further in time—before the coming of Columbus—you can do that too, and see life going on much as Columbus might have found it on that Christmas Day in 1502.

You may stand on the seawall across Balboa Boulevard from the U. S. Embassy, beside an impressive monument to that Spanish explorer, and look out over the Bay of Panama to the Pacific Ocean, much as Balboa did from a hilltop in Darien in 1513. And just a little way around the Bay you may wander among the crumbling walls of Old Panama, founded three years after Balboa first sighted the Pacific. The Cathedral belfry towers almost intact over the ruined city that was once world renowned as the "Cup of Gold." One time each year a Mass

is held inside the massive walls of the ruined church. It is possible today to trace cobblestone streets among the far-flung ruins—cobblestones upon which Henry Morgan's men battled when the pirates sacked and burned the city in 1671.

Two years later, the Spaniards began to rebuild the city on a more defensible point of land several miles around the Bay. Today, almost 300 years later, the new city of Panama has all but rejoined the old. A stone's throw away from the well-tended park that is now Old Panama, modern suburban homes and gardens of the new city encroach.

While in this part of suburban Panama, you may see the Hipodromo Remón, Panama's fabulous race track. Nearby is the municipal golf course. No matter how you approach Panama City by motor car, whether driving from Tocumen Airport or from the Atlantic side via the Trans-Isthmian Highway, you enter town from the north. Lying between the Trans-Isthmian Highway and the Via España (from Tocumen) are the Cangrejo Hills. These rolling hills, only

a few years ago covered with lush tropical growth, now have grown up in a forest of multi-storied, ultra-modern apartment buildings and wealthy homes. Atop one hill are the modern buildings of La Salle College, and across a valley on another hilltop, the administration building of the University of Panama. Sweeping down the green slopes of this hill to the Trans-Isthmian road, are other modern buildings of the University campus. Nearby, workmen are putting finishing touches to the multi-decked, futuristic Social Security Hospital.

On the other side of the Cangrejo Hills, along the Via España, you see modern shopping centers and super markets, multi-storied office buildings and towering Chase Manhattan Bank Building; and perched on a hill across the street, the honeycombed structure of Hotel El Panama Hilton, featuring Olympic-sized pool and a penthouse gambling casino. At a highway intersection in the swale below El Panama Hilton, you see the ultra-Gothic Church of the Virgin Carmen.

Near the Plaza Cinco de Mayo is the heart of the city, the Congress-

Two proud roosters ignore the bargaining in the public market.



Elite "Union Club" (at left) in colonial part of Panama City.





National Congress Building



Colon City Hall

sional office building, Palacio Justo Arosemena, towers over the halls of the National Assembly. Above the Assembly Building, on the slopes of Ancón Hill in the Canal Zone, is the white-columned facade of the old Tivoli Hotel, for Zone personnel. And now you turn left into the Avenida Central, principal shopping street in the heart of Panama City. Directly in front of you, on the Plaza Cinco de Mayo, is the Hotel Internacional. Continuing along Avenida Central, threading through the heaviest traffic in the city, you pass by shops of the world, where you may shop for the finest cameras, fabrics, hand-carved ivory and jade, silver and porcelain objects, silks and lace—all for prices 30 to 60 per cent below those at home. Here, there are no sales or luxury taxes and very little import duties, since Panama is a free port.

As you make your way along Avenida Central you find yourself in a different world. You have passed from the Twentieth Century into the Seventeenth and rejoined history. You are in New Panama as it was rebuilt a few years after Morgan sacked the Old City, and though called New Panama (it is also sometimes called the Caledonia section), it is nevertheless 300 years old. You should be prepared to loiter along its narrow

streets with camera at the ready. The brightly painted houses have taken on the architectural look of Old Spain. Wrought iron balconies overhang narrow streets. You come suddenly and startlingly upon ancient walls, mossy ruins, and miniature plazas, places where history has been made; and you never know quite what to expect just around the next corner.

Here you see the old Church of San José, home of the "Golden Altar" which was saved from Morgan's pirates. Across the street is the famous "Flat Arch" in the ruin of an ancient building—an arch that by standing for 300 years proved the Isthmus free of earth tremors and safe for construction of the Panama Canal. Nearby is Delesseps Square where the Canal builder had his headquarters (now a postoffice). At the extreme tip of land, and hemmed in by the Bodegas (dungeons) under a seawall promenade, is the Plaza Francia (French Square).

Leaving Plaza Francia, you drive through a narrow street past the elite Union Club, and come to Plaza Bolívar. Here is the old Colombia Hotel and the grey buildings of old La Salle College, where Simón Bolívar in 1826 held his historic conference of delegates from the American states and proposed his visionary United States of South America. You come next to

Only



flies

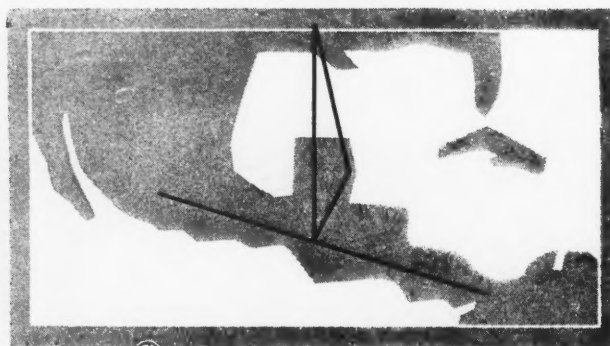
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Independence Square (or Third of November Square) flanked by the National Cathedral, the City Hall, the old Hotel Gran Central and the front of Delesseps' Administration Building. It is two blocks down a dark little street to the grey, austere Presidential Palace, that fronts on the Bay of Panama with the shrimp fleets lying at anchor a short distance out.

Panama City by night is as cosmopolitan as by day. There are numerous fine restaurants where one may order cuisine of the world, or such native Panamanian dishes as *empanadas* and the peppery raw fish appetizer, *ceviche*. There are music and dancing at both El Panama Hilton and the Internacional. You can try your luck at roulette, blackjack, dice tables or the one-arm bandits at El Panama Hilton's rooftop "Casino In The Sky." There are other nightclubs, some with floorshows, such as Maxim's.

To come to Panama and fail to see the Canal is like visiting India and missing the Taj Mahal. The Canal, itself, is one of Panama's prime tourist attractions. It is a 15-minute drive from Panama City out to Miraflores Locks, first of two sets of locks that raise ships from the Pacific side, 85 feet to the level of Gatun Lake in the middle of the Isthmus. Miraflores, in

two steps raises or lowers ships 54 feet, and Pedro Miguel Locks, 15 miles inland, raise or lower vessels the other 31 feet in a single step. At Miraflores, you may tour underground passageways where the mechanisms for operating the locks are located, and visit the control tower. An interesting thing about the Canal, is that the same controls and machinery originally installed to operate the locks are still doing the job today, nearly half a century later. Only now are the old 25-cycle electric "mules" that tow ships through the locks being replaced with 60-cycle Japanese imports. An average of 36 transits a day were made through the Canal in 1960. It is a truly exciting experience to watch one of the modern giants of the sea squeeze through the narrow locks.

Perhaps the best way to really see the Zone and the Canal, is to cross the Isthmus on the Panama Railroad (\$2.00 roundtrip) to the Atlantic terminus at Cristóbal, and its sister city in the Republic, quaint old Colón. On this homey little train you roll and rattle past Albrook Air Force Base and Fort Clayton to Miraflores Locks, and on to Pedro Miguel Locks. Leaving the Canal, the road takes you through mountainous terrain, past the Summit Gardens where all kinds of tropical shrubs are grown. Coming

back to the Canal near Gamboa, at the end of Gatun Lake, you get a view of Gaillard Cut, a major feat in building the Canal. (On your return trip, you may leave the train at Gamboa for a boat trip through the Cut.)

Coming back to the Canal at Gatun Locks on the Atlantic side, it is but a few minutes to the railroad station at Colón. Colón, a city of some 60,000 and belonging to the Republic, is an "island" within the Canal Zone. It was built as a terminus for the Panama Railroad in pre-Canal days. It is a delightful old city of wooden buildings with colonial-style balconies. Another world shopping center located here, is Front Street with the fine goods of many countries displayed at free port prices.

Colón's people are as mottled and interesting a melange as the people of Panama City. The place to stay in Colón is old George Washington Hotel, with its traditional atmosphere. The hotel sets far back on sprawling grounds with a palm-lined drive circling up to the entrance. Another place to go in Colón is the Tropical Bar, which is to Colón what Sloppy Joe's used to be to Havana. The Club de Estrangeros (Strangers Club), a private club built out over the waters of the bay, is a center of Colón social life. From Colón, it is a short drive

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around the bay to the ruins of historic old Portobelo, Atlantic terminus of the Cruces Trail. Over the Cruces Trail, Inca treasure was brought across the Isthmus to be taken by annual convoy of galleons to Spain. Today, the Trans-Isthmian Highway between Panama City and Colón more or less follows the old Cruces Trail through the jungle-clad hills of the Isthmus, and is a trip worth taking in itself.

Back in Panama City, you would certainly be amiss not to visit the exciting pirate island of Taboga in the Bay of Panama. Taboga lies about an hour and a half by fast motor launch from the mainland. Launches leave regularly several times a day from Pier 18 in Balboa. Taboga is one of

a cluster of three mountainous islets rising steeply from the blue waters of the Pacific. The village of Taboga, one of the oldest towns in the hemisphere, nestles in a cove on the landward side of the island. Fishermen live here and many Panamanians have summer homes on the island. There is a modern new hotel fronting on the beach. Otherwise, buildings on the island are old and grey with the patina of time. There are no cars on Taboga but paved walks wind among the rows of houses that rise at different levels from the beach. You will find it exciting, and at the same time restful, to wander along these peaceful promenades. The village is virtually overgrown with tropical flowers

of all varieties. Picturesque fishing boats lie along the beach.

A steep, uninhabited islet, called El Morro, lies just offshore to one side of the cove. At low tide, a strip of beach separates the two islands and you can walk from the new hotel across the beach to El Morro. A trail cut through jungle leads by series of stone steps to the crest of the island peak. Just beyond is a little graveyard of seamen who died and were buried here around the mid-1800's. Reading inscriptions on these tombstones, one feels the presence of history. At one time Taboga was the domain of pirates who used it as a lookout for treasure ships coming up from Peru.

The clear, blue seas surrounding the islands are fine for swimming and skin diving. Some 50 miles farther out in the Pacific, a group of islands called Las Perlas have some of the hemisphere's finest deep sea fishing. Las Perlas offer the angler such big game fish as tuna, marlin, sail, bonita, dolphin and mackerel. Boats may be had for \$75 a day for a party of five to seven.

From Panama City there are other interesting side trips. Within a few hours by small plane, you may land in a world centuries apart—the delightful San Blas Islands, strung along the coast of Darien in the Caribbean. Colorful San Blas Indians who inhabit these jewel-like islets live just about as they did before Columbus came. Customs, manner of dress, handicrafts and the pure blood of the people remain undiluted by the advance of the white man. The people govern themselves independently of the Republic. They live by fishing the azure waters of the Caribbean and by carrying on a lucrative trade in coconuts that grow profusely along the palm-fringed shores. The white man is not permitted to remain overnight on an island inhabited by the Indians, but he is otherwise accepted with friendly, if reserved, acquiescence.

Another place to go, if you have time and want to meet the rural Panamanian, is Chiriqui Province, near the Costa Rica border. You can fly to David (population 20,000) in an hour and a half (\$11.10 one way by COPA, the national airline). Or you can take one of the little "Chiva" buses (\$5.00 one way) if you really want to rough it and meet the people. The Chiva takes 10 or 11 hours over the Pan American Highway, and there is 100 miles of rough unpaved road between Santiago and Chiriqui Province, but you see the Central Provinces enroute. At David you will probably stay at rambling, traditional Hotel Nacional, run by a friendly

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North American, Jack Hale. David is a farming town in the Pacific lowlands. From there you can go by train for a tour of United Fruit Company's banana plantations around Puerto Armuelles.

Also from David, you can drive up into the cool, pleasant mountain country around Boquete, set in the lovely "Valley of the Rainbows" at about 3,500 feet. You may wish to spend a few quiet days at the Panamonte Inn, here. It is in this area that most of Panama's best coffees and fine citrus fruits are grown. Another mountain trip is to the Volcán area on the slopes of El Barú Volcano. Here in wild mountain country you will find good trout fishing in roisterous streams. Hunting trips can be arranged at David for the wilderness mountains that form the backbone of Panama, and the rain forests on the Atlantic side. Guides are available for horseback excursions up the slopes of 11,000-foot El Barú, and for hikes through the mountains to Cerro Punta, known as "Little Switzerland."

Panama has a pleasant year-round climate, boasting an annual mean temperature of 78.6 degrees. The dry season from mid-December to mid-May is most pleasant; however, except for the first and last months of the rainy season, almost daily showers

are soon over and the sun comes out. Nights are usually cool with a light breeze. You should bring lightweight summer clothes with perhaps a wrap for visiting the highlands.

Although the unit of currency in Panama is the Balboa, it is almost never issued except in silver coins. The U. S. dollar is legal tender and the most common unit of currency in use all over the Republic. Except for the bargains in "free ports" wares, prices pretty much correspond to those in the United States. Panama, as well as the Canal Zone, have been cleared of such diseases as yellow fever, malaria and dysentery, and you can safely drink tap water anywhere in the cities.

Panama is only four hours by jet from Miami, eight to nine hours from New Orleans, through all the capitals of Central America, by Viscount flights via TACA International Airlines. Twelve regularly scheduled airlines fly through Tocumen Airport to all points of the hemisphere. Nine steamship lines serve Panama and numerous cruise ships make Panama a port of call. No matter whither bound, if you find yourself passing through this Isthmus, you should plan to stop over for a few days, or weeks. It is a place you will want to visit, and once visited, return to often. ●



"Mules" at Miraflores locks.



Church of "Golden Altar"

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In cold economics this is what the private enterprise companies, using the Colon Free Zone, mean to Panama:

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2. Total number of employees in the Republic of Panama: In Excess of 1,400.
3. Total wages paid annually: In excess of \$2,300,000.00
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**Colon Free Zone Managers Association
Colon, Republic of Panama**

BRIGHTEST spot in Panama's foreign trade picture today is the Colón Free Zone. Ten years ago the free trade zone was brought to blighted Colón at a time of dire need. Following the prosperous war years, in 1946 Canal Zone and U. S. Naval operations began a steady withdrawal from the Colón area. It left Colón an impoverished island of 60,000 Panamanians, virtually surrounded by the Canal Zone, and with little means of support. Unemployment grew out of all proportion and Colón, at the Atlantic terminus of the Panama Canal, became a festering sore of poverty and discontent, ripe for communist exploitation.

José Dominador Bazán, cast today in the important dual roles of Vice President of the Republic of Panama and general manager of the Colón Free Zone, in 1948 became mayor of troubled Colón. That same year, he was instrumental in helping to get a law through the National Assembly setting up a free trade zone for Colón. The Colón Free Zone, as it is called, began operation in 1951 with an initial appropriation of \$300,000. (It was to cost \$2.5 million to fill in the 96 acres of swampland where the Zone now stands.) By 1953, goods valued at \$14 million were cleared through the Zone. By 1960, after only nine years of operation, Free Zone trade had mushroomed to \$131.4 million and the Zone provided permanent employment for 1,275 personnel. Indirectly, the Free Zone has an even far greater impact on the area, and it is looked on today as the heart of Colón's much improved economy. In effect, the Zone has brought a dying city back to life.

The function of the Colón Free Zone is to provide strategically located facilities for duty-free warehousing and transshipment of goods in hemispheric



and world trade. Besides the storage of goods for more convenient supply of South and Central American markets, and in many instances other world markets, the Free Zone is a place where bulk shipments may be broken down into smaller lots for transshipment to various destinations; where goods may be processed, refined, packaged and sent on their way again; where a shipment may be interrupted and reassigned at minimum cost. Many of the Free Zone companies maintain centrally-located display rooms for the convenience of hemispheric buyers; nearly all keep on hand warehouse inventories from which quickly to supply dealers throughout Latin America, doing away with the need for dealers themselves to maintain costly inventories.

With these and many other advantages to a Free Zone operation, the number of companies taking space in the Colón Free Zone has risen to 97. Most of these companies also represent several other manufacturers or brand names, so that actually the products of some 200 companies pass through the Zone. This represents better than an average 20 per cent in-

crease in the number of firms in the Zone for each year since 1956—almost a 30 per cent increase in 1960 over 1959.

These firms include many of the big names in U. S. manufacturing. Names like Caterpillar, Gerber, Colgate-Palmolive, Gillette, Cutter, Firestone, General Tire, Kodak, Parke Davis, Pfizer, Schering, Squibb, Upjohn and many others. On the other hand, Free Zone companies represent most of the industrial nations of the Western world—England, West Germany, France, Denmark, Canada, Japan, Latin American countries themselves.

Although the bulk of Free Zone trade is between the United States and other industrial nations, and the Latin American countries, a surprising portion of this trade is between the United States, Europe and Asia.

There has been a steady increase in volume of trade passing through the Colón Free Zone in terms of dollar value. The value of trade through the Zone increased from \$63.4 million in 1957 to \$131.4 million in 1960, an average annual increase of 27.5 per cent, and no end to this growth is in sight.

MOVEMENT OF GOODS THROUGH T

YEARS	NO. OF COMPANIES	PERCENT INCREASE	TOTAL ENTERING BY WEIGHT MILLIONS OF KILOS	GOODS ZONE BY VALUE MILLIONS OF DOLLARS	RE-EXPORT TO OTHER COUNTRIES				SALES TO REPUBLIC OF PANAMA	
					BY SEA		BY AIR		BY WEIGHT	BY VALUE
					BY WEIGHT MILLIONS OF KILOS	BY VALUE MILLIONS OF DOLLARS	BY WEIGHT MILLIONS OF KILOS	BY VALUE MILLIONS OF DOLLARS	MILLIONS OF KILOS	MILLIONS OF DOLLARS
1953	32	—	—	—	1.3	3.7	.4	2.5	1.4	1.3
1954	32	—	—	—	6.1	13.6	1.6	16.7	5.6	3.3
1955	40	25.0	—	—	5.1	11.2	2.4	12.3	5.0	3.6
1956	40	—	22.3	28.9	7.3	15.2	3.0	12.4	6.3	5.2
1957	54	35.0	18.7	28.2	6.4	13.2	2.2	11.6	7.8	7.4
1958	66	22.2	21.7	33.0	6.3	15.5	2.5	17.0	7.5	7.5
1959	76	15.1	21.3	46.0	6.0	18.3	3.9	32.3	6.2	8.0
1960	97	27.6	25.5	54.7	9.1	25.8	3.9	37.0	6.5	9.4



Laurencio Jaen O, Manager of Schering International and Chairman of the Board, Colon Free Zone.



E. A. Trevisan, Panama manager of Squibb Mathieson and President, Colon Free Zone Managers Assn.

The disposition of goods coming into the Free Zone falls into four categories: 1) the sale of goods for consumption in the Canal Zone; 2) sale of goods to ships passing through the Canal; 3) sale of goods for re-export to other countries; and 4) sale of goods for consumption in the Republic of Panama. Only in the latter instance and goods subject to normal import taxes and customs regulations.

Goods for transshipment to other countries may go out by ship from the nearby Cristóbal docks (some 64 steamship lines transit the Panama Canal and call at Cristóbal when necessary and two lines operate out of Cristóbal); or goods may go out to other countries by air. It is 90 minutes by motor freight from the Free Zone to Tocumen International Airport over excellent paved highway. Twelve international airlines fly through Tocumen to all parts of the world. High-value, low-weight merchandise tends to take the air route. The trend toward air shipments in terms of value of goods has increased significantly in recent years. About 60 per cent, by value, of goods transshipped from the Free Zone in 1959 and 1960 went out

by air, 40 per cent by sea. As recently as 1956 and 1957, more goods, by value, were still taking the sea route. In terms of weight, however, it is a different story. By weight, 70 per cent of goods in 1960, and 60 per cent in 1959, were transshipped by sea.

A company deciding to take advantage of Colón Free Zone benefits may do so in several ways. It may rent public warehouse space in air conditioned, dehumidified buildings provided by the Zone, or it may take a long-term lease on Free Zone ground and erect its own buildings to suit its needs. A company may make arrangements described by Lauréncio Jaen O., of Schering Corporation, chairman of the board of directors of the Zone: "Because of the Cuban thing," said Jaen, "some companies may be afraid at this time to put out a couple of hundred thousands on buildings and machinery. In that case, if they wish, the Zone will erect the buildings to their specifications, and even finance their equipment during this interim period."

The fenced-in Zone area has recently been expanded from the original 96 acres, now almost entirely built up,

to 136 acres. Within this area are all facilities needed to conduct business operations: Tropical Radio and Western Union maintain communications facilities in the area, the latter equipped with Telex machines; Banco Nacional has recently opened its Free Zone branch in handsome new quarters (The First National City Bank of New York, Chase Manhattan Bank and the Swiss Bank have branches in Panama City); there is a post office in the Zone and mail order business by ship is being expedited from the Zone.

The Zone, in the past, has used the Cristóbal docks with satisfactory results, but there has developed the need for its own dock-side facilities. As a result, the Zone has acquired a 40-acre tract fronting on the Bay and a \$3-million program is underway to develop a port-side area. At this time, the site is being surveyed by the J. Fredrick Snare Corporation prior to launching construction of docks and freight house facilities for the Zone.

The city of Colón is largely dependent on the Free Zone for its economic future. The city has come a long way since the dark days of 1946-48, yet there remains today a hard core of 10 to 12 per cent unemployed. Rapid population growth has thwarted efforts to cut the percentage further. But with the Colón Free Zone and new outside industries such as the refineries, officials are managing to just hold the line.

There has long been a small but determined group of communist agitators at work in Colón. By bringing industry to Colón to provide jobs and by farsighted socio-civic programs, such as slum clearance and housing, tough, shrewd political leaders like Vice President Bazán not only have been able to hold the line against further communist penetration, but actually to gain back some lost ground.

ROUGH THE COLON FREE ZONE

TO REPUBLIC PANAMA	SALES TO CANAL ZONE		SALES TO SHIPS IN TRANSIT		TOTAL GOODS LEAVING ZONE		TOTAL VOLUME OF TRADE		PERCENT INCREASE
	BY WEIGHT MILLIONS OF KILOS	BY VALUE MILLIONS OF DOLLARS	BY WEIGHT MILLIONS OF KILOS	BY VALUE MILLIONS OF DOLLARS	BY WEIGHT MILLIONS OF KILOS	BY VALUE MILLIONS OF DOLLARS	BY WEIGHT MILLIONS OF KILOS	BY VALUE MILLIONS OF DOLLARS	
1.3	.3	.3	.2	.3	3.6	8.1	—	—	—
3.3	1.2	1.0	.9	1.0	15.4	35.6	—	—	—
3.6	12.9	1.5	.8	.8	14.6	29.4	—	—	—
5.2	1.6	1.9	1.2	.9	19.5	35.5	41.8	64.4	—
7.4	1.6	1.8	2.0	1.3	20.0	35.2	35.7	63.4	—
7.5	1.7	1.8	2.0	1.6	20.0	43.4	41.7	76.4	20.5
8.0	1.7	2.3	2.1	1.9	19.9	62.9	41.2	108.9	42.5
9.4	1.6	2.4	1.9	2.2	23.1	76.7	48.6	131.4	20.6

Tax Haven? Tax Deferral?



J. D. Bazan

THE Kennedy Administration's proposal to alter so-called "tax haven" advantages for U. S. corporations with foreign subsidiaries already has precipitated widespread criticism in industrial and financial circles in the United States. Although, in some aspects, subsidiaries operating in the "developing nations" are excluded from these proposed changes, the proposals have nevertheless caused understandable concern in Latin America.

Without a doubt, there have been abuses and misuses of the "tax deferral" system, but in the final analysis it boils down to whether the United States, as such, has profited or lost from this tax arrangement. There is no pat answer to this question, but one would do well to take into account all sides of the story.

No single country in the Americas stands to be hurt more than Panama by such an action. To get at the heart of this issue, as it affects relations of the United States with the other Americas, *Latin American Report* has sought the views of the following men:

The Honorable José Dominidor Bazán, Vice President of Panama and general manager of the Colón Free Zone. He is therefore vitally concerned with the effect such a move would have on U. S. corporations operating in the Free Zone, as well as elsewhere in Panama, and the effect that it would have, through these, on the economy of Colón and the Republic. Mr. Bazan was head of the powerful Republican Party in Panama until he resigned to take the non-political post of Free Zone manager. He formerly served as Senator from Colón, as Minister of Government and Justice, and as Mayor of Colón.

Richard Cahill, who is president of Overseas Management Company of Panama, Inc. In this capacity, Mr. Cahill sits as a director and as Panama representative of some of the largest U. S. corporations having Panama subsidiaries.

J. D. Bazan:

Q. Señor Bazán, are you familiar with tax recommendations pending before the U. S. Congress concerning taxes paid by companies with foreign subsidiaries?

A. Naturally. In my position as Vice President of Panamá and as general manager of the Colón Free Zone, I keep closely in touch with any and all developments, both in Panamá and abroad, which will affect the economic status of my country. I feel that as recommended, the changes are so sweeping that these measures could be detrimental, not only to the Zone, but to Panamá as a whole.

Q. In what way would these tax proposals, should they become law, hurt Panama in general, and Colón and the Free Zone in particular?

A. The economic revival of my city of Colón is directly

tied in with the establishment and growth of the Free Zone. Through the Zone we have been able to combat severe unemployment, because, with the establishment of operations by U. S. corporations, jobs were created and new monies made available. All of the companies now operating will not be affected by any change in U. S. tax regulations, because we have European companies also. But the operations of U. S. companies, by far the most numerous of our clients, would be curtailed, and we, in turn, would be hurt.

Q. Was the Colón Free Zone established with any purpose in mind of helping U. S. corporations to evade taxes, or was it set up strictly to promote the expansion of hemispheric trade while benefitting the economy of Colón?

A. I do not like your use of the word "evade." These companies are not trying to evade anything. In some instances, some of the U. S. companies operating in the Zone are even now remitting profits back to the States because of demands from the home office. Others, of course, are keeping profits in a reserve development fund here for further expansion, not only in Panamá, but in other Central and South American countries. Now, as to why the Zone was established, the basic aim was to stimulate inter-American trade, utilizing to the very fullest possible extent the strategic geographic location of the Panama Canal, and the city of Colón. And, of course, the aim was to ease some of the ills of unemployment which occurred in Colón following the sharp changes brought about by the end of World War II.

Q. Had U. S. government aid anything to do with establishment of the Colón Free Zone, or have U. S. public funds at any time since been sought for the operation or expansion of the Zone?

A. Definitely not. It was totally and completely a Panamanian project, designed by Panamanians and paid for by the Panamanian Government. We have not had to ask outside help for regular operation. However, that does not mean we would hesitate to ask outside assistance, either private or government, should we feel expansion of facilities is necessary. Such a loan, if secured, would not be any handout, but would be based on the economic feasibility of our expansion plans.

Q. You mention plans for expansion. Up to now, the Free Zone has grown steadily and rapidly. Will it now be possible for you to go ahead with expansion plans in the face of U. S. Treasury Secretary Dillion's insistence that foreign subsidiaries, such as those located in the Free Zone, represent a drain on the U. S. Treasury?

A. Mr. Dillion is entitled to his opinion. I am entitled to mine. The difference is that he is thinking of those companies which have abused your own tax laws. I am



Loss of "Tax Haven" Corporations Would Deal Deadly Blow to Panama

thinking of those companies, like the ones we have in the Colón Free Zone, which are in some cases using the tax deferral clauses to make it possible for them to bring about expansion throughout the Americas. Without this advantage, continued expansion, such as we have seen in the past and hope for in the future, would not be possible.

Q. I understand that you once said there was then no threat of communism in Colón, in spite of widespread unemployment. Should a situation develop whereby the Free Zone would be forced to retrench, might a communist threat develop here?

A. Time changes many things. Our severe unemployment came immediately after the war when the Russians allegedly still were allies of the Free World. That subterfuge no longer exists. We now know definitely what the attitude of the communists really is. We know they watch for the slightest sign of an economic or political break and they are ready to exploit it to the very fullest for their own gains. It all depends on what happens to the U. S. companies in the Free Zone. If the tax proposals become law, and these companies begin a retrenchment program; then I definitely believe we will have a serious problem.

Q. Do you believe, then, that the working classes of Colón may be prone to embrace communism should anything happen to worsen the unemployment picture and cause living standards to stagnate?

A. I don't like to put it just that way. As a matter of fact, I do not believe that the masses in any country in the Americas are pro-communist. For example, despite Fidel Castro's alliance with the communists, I believe sincerely the vast majority of Cubans are not communists. You must remember that the communists do not actively develop a situation. But they wait and make capital of the mistakes of the Free World. If unemployment and hardships develop in Colón, the scattering of communists are certain to place the blame on the United States. I, for one, would do everything in my power to curtail such a movement; but it is one thing to give out with words and speeches, and quite another to predict the effect of these on people who are out of work and whose families are hungry. It would be difficult.

Q. And you believe that the tax proposals now before Congress in the United States, should they be permitted to become law, might lead to such drastic results here in Colón?

A. I certainly hope not. But who can say. I do know without any doubt that we would have been faced with a series of grave problems if the Free Zone had not been established and had it not prospered.

Q. Finally, Señor Bazán, is it your considered opinion

that continued expansion by U. S. foreign corporate subsidiaries, such as those established in the Free Zone, constitutes real insurance against communism in Colón and Panama?

A. I most certainly believe so. These companies contribute to the economy of Panama by strengthening the dollar reserve position of our banks, and by providing thousands of jobs directly to workers. In doing so, they help to make Panama a country where it is difficult for the communist ideology to take root. These same companies also benefit the economy of the United States by enabling Panama to import millions of dollars of U. S. products, and they help to make stronger the position of the United States in its relations with Panama.

Richard Cahill:

Q. Mr. Cahill, what is meant by the term "tax haven"?

A. The term "tax haven" refers to a country that has no tax or a very low tax on income derived from foreign sources and on dividend income and capital gains.

Q. We can assume therefore that Panama is a tax haven country?

A. Yes, because Panama does not levy any tax on the income earned by a Panama Corporation if such income is derived from sources outside of Panama. Further, Panama does not tax dividends nor does it have a capital gain tax.

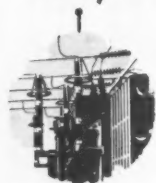
Q. Besides these favorable tax laws, are there other reasons why United States companies form Panamanian subsidiaries?

A. Most definitely. There are many other purposes for Panamanian subsidiaries. The favorable tax laws are only part of the story. As you know, Panama is ideally located in the center of the vast Latin American market, therefore, it is a natural location to headquarter one's international company. The Panama Canal makes Panama one of the major shipping centers of the world. The Colón Free Zone provides superb warehouse and re-exportation facilities. Panama is the only nation in Latin America that conducts business exclusively in U. S. dollars. The Republic abounds with relatively cheap, though efficient personnel. I could go on and on regarding the many business advantages offered by Panama but I think I have adequately answered your question.

Q. To get back to the tax question, Mr. Cahill, do you feel that the so-called "tax haven corporations" are abusing the U. S. tax laws?

A. I am not a tax attorney but from my understanding of the existing laws I feel that there are U. S. corpora-

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tions and individuals who have abused or misused the tax laws by means of the so-called tax haven corporations. However, the many corporations that are legitimately operating in Panama, Switzerland, Nassau, etc., and which have bona fide business purposes should not be penalized by the few who abuse the law.

Q. How can the Internal Revenue Service stop such abuses but still not destroy the entire tax haven concept.

A. Very simply, the existing laws are adequate to control the abuses, the IRS merely has to set down the ground rules of what they believe constitutes a bona fide foreign business operation under the law and what constitutes a device for avoiding tax. Then a few test cases in court will harden the facts and a pattern for the proper use of a tax haven corporation will emerge.

Q. In your opinion, Mr. Cahill, would United States overseas business be affected if this new tax legislation is passed as recommended by Mr. Kennedy.

A. Yes, it is my estimation that the majority of all foreign investments made by U. S. manufacturers originally was generated by a so called tax haven vehicle. Further I believe if the Administration takes away this vehicle U. S. foreign investment will diminish drastically, and as a result, bring economic stagnation to many of the underdeveloped countries of the world.

Q. In the event private investment did diminish as you assume, could not the U. S. Government fill the gap with foreign aid.

A. Unfortunately, this is exactly what I suspect the present Administration proposes to do—replace private enterprise with government aid overseas. We are not just opposing a poorly conceived program to collect more taxes from foreign enterprise, we are fighting for a philosophy—should U. S. foreign investment come from private enterprise or from government sources. ●

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HAITI:

Example of UNPRODUCTIVE Aid

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By Lester Velie

MR. Velie's story of unproductive aid in Haiti stands as a glaring example of "spendthrift" aid that does little good either for the United States or the recipient nation. President Kennedy's "Alliance for Progress" for the first time in our aid program offers provisions for "helping those who are willing to help themselves." In this way, U.S. aid will serve as incentive for internal administrative reform where it is needed. Detailed followup should determine if effective reforms have been made to enable the foreign aid dollar to buy its full measure of benefits. Where this has not been done, then continued aid may be withheld. This kind of aid will buy results or it will not be forthcoming.

Foreign aid that buys desired results is an investment properly made in the future of the developing nations, in the security of the democratic system, and in humanity—for which we hold justifiable hopes. It is too bad that examples like Haiti have tended to sour many on the whole aid program. It is important that the reader distinguish between this type of aid program and that advocated in the President's Alliance for Progress—between spending and investment.—Editor.

INSIDE Haiti's glistening white Presidential Palace at Port Au Prince recently, a presidential aid spoke feelingly of his country's need for U.S. help. In excellent French that is the mark of Haiti's educated elite, he told how only one of every seven Haitian children attended school; how the appalling 90 per cent illiteracy rate was rising. Haiti, broke, could not afford teachers, he said.

That afternoon, in a Port Au Prince daily, I read his government's proud announcement that 29 Haitian teachers were flying to the Congo to join the UNESCO education drive there. They were going to teach Congolese how to read and write French.

Curious, I looked into the matter of experts—our's and their's. Working for the UN alone, in New York City, the Congo and elsewhere, were 50 Haitian technicians in health, agriculture, education. Some were highly trained

products of our universities. The number of Point Four personnel that we're maintaining in Haiti is 78—48 of whom are technicians. We send ours in—at a cost this year of \$2 million. They send—or drive—their own out.

The Haitian government is so strapped that it can't pay \$700,000 in light bills for its buildings. Yet at the desk of the foreign minister, I learned that Haiti is opening embassies in Mali, Senegal, Dahomey, the Ivory Coast and other new African nations—for prestige.

"How much does it cost to send an ambassador and staff to Ghana?" I asked.

"What is the purpose of your question?" the Foreign Minister replied.

"I'd like to know how United States aid money is being spent."

"You're being indelicate," the Foreign Minister said. "You've gone too far! The money is being used with wisdom."

The wisdom with which our money is being used in Haiti is part of the mountain-sized problem of continuing foreign aid which U.S. citizens are beginning to examine with growing uneasiness. We've poured out some \$60.4 billion—not counting military aid—to help ex-allies, ex-foes (Japan and West Germany) and even communist nations (Yugoslavia, Poland). The early, post-war spending via the Marshall Plan had the fervor of a crusade, for it helped put wartime allies on their feet, rebuilt industrial plants lost in a common struggle—and staved off communism.

But now, our aid dollars—\$1.7 billion this fiscal year—are being cast upon uncharted waters. Their job is to put underdeveloped, unawakened nations on the road to sustained growth and higher living standards. Yet when we, as a nation, spend billions on foreign aid, we don't even do what we do as individuals when we spend, say, \$100 to fix a car. We don't check to see whether the repairs have done the job or whether a more fundamental overhaul is necessary.

This kind of simple prudence, applied to Haiti, or Laos or other aid beneficiaries, would raise two basic questions: Have our Point Four dollars in-

creased national wealth? Have they lessened poverty?

If it turned out, as in Haiti, that the country is poorer today than it was when aid started 10 years ago, some other questions would necessarily follow:

Are certain necessary conditions lacking—without which foreign aid dollars can't do a job? For instance: is there a stable and orderly government? Are there trained administrators with whom we can work? Does the country want to pull itself out of ignorance and poverty? Do its leaders have the will to do this?

If we ask these questions in Haiti, we learn a fundamental lesson in foreign aid that can be applied all over the planet. We help in Haiti for strategic reasons. It shares a Caribbean island with the Dominican Republic and guards one shore of the Windward Passage into the Caribbean. (Our Marine base on Guantanamo in Cuba guards the other.) Haiti is only a hop, skip and jump away from Fidel Castro who has already tried at least one unsuccessful Haitian foray. Since Haiti is the world's first and oldest Negro Republic (founded in 1804) and lies on our doorstep, African eyes are turned its way. It could be a showcase of progress under free institutions.

So, we've spent \$45 million in Point Four assistance and special grants and \$32 million in loans to Haiti since 1950. Today, we have 78 Point Four administrators and technicians there—the second largest aid mission in the hemisphere. We'll spend and give away \$12.5 million—which equals about half of Haiti's national budget.

Yet when we ask the first question—what have our foreign aid dollars accomplished—we find that per capita income is no greater today than it was 10 years ago. It's still about \$60 yearly. Haiti's people are no better off. The unskilled peasant still gets the 70 cents a day he got a dozen years ago. Employers say they can't pay him more, because he's so undernourished and disease-ridden he can only work at 20 per cent of capacity!

Worse, our foreign aid dollars can't even arrest Haiti's decay. There are

telephones all over Port Au Prince, in homes, on the desks of businessmen, but they rarely ring, and if they do, it's no use answering. They haven't worked for three years. When our Marines occupied Haiti some 40 years ago they put in a pioneer dial system, the first in the hemisphere. Today, rotted by lack of maintenance, only a handful work—hooked up between Government officials' offices and homes. To talk to the airport one-half mile from its downtown ticket office, Pan American Airways uses radio. Our embassy uses a radio relay system to reach its people outside Port Au Prince.

Regularly, at 6:30 p.m. my hotel—and all the neighborhood about—was plunged into a one-hour blackout. There is not enough power to meet the city's needs. Water is available for only two or three hours daily—or not at all—in some sections of the city. The beat-up water system just isn't up to serving the entire capital. In all Haiti, there is but one negotiable road—the highway to the north. It once took but 2½ hours to travel its 100-odd miles to Cap Haitien, site of the world-famous citadel of Henri Christophe. To drive its rutted course today is a bone-rattling

experience requiring seven hours and the repair of two or more flat tires.

The highway to the south, built and maintained by our Marines, has long since washed away—vanished. The towns it once served are withering. For some the only link to the outside world is stream beds, negotiable only by rugged jeep and even more rugged determination.

Not only have telephone and road systems gone, but—more frightening still—the land itself is going. Ten years ago, Haiti's chief money-maker, coffee exports, totalled 26,000 tons. This has shrunk to an estimated 17,000 tons. The ever-increasing and ever-illiterate peasant population cuts down the tree cover, and galloping erosion diminishes the arable land year by year. At the last census, in 1950, the population was 3.1 million. Today there are an estimated 3.5 million or more Haitians—and they are pressing on shrinking resources. In a century of growing expectations Haiti, for all our help, is growing poorer and poorer.

We must face the hard fact that something's happening in sick Haiti that our dollars alone can't cure. If we apply our first question—is there a stable and orderly government—we begin to

learn why.

In Haiti, the government is the President. He rules, on paper, a constitutional republic (which is in reality a dictatorship), with a Senate and House of Deputies. Haiti's current president, Francois Duvalier, is a small, black-skinned man—one of the 95 per cent of all Haitians who are "noirs" as distinguished from the five per cent sprinkling of "mulattes." His brown, doe-like eyes look out gloomily from behind heavy glasses. His voice is soft and trails off sleepily, so that one has to strain to hear him. Unlike the parade of generals who preceded him, Duvalier is a doctor who reads—and writes—books. For all his gentle voice and gentler bedside manner, Duvalier has shown a fierce will and a Merlin-like cunning in dealing with his internal foes—and with us.

The little doctor once worked closely with the U.S. Medical Corps in eradicating yaws, and later studied at the University of Michigan. So our State Department anticipated a friendly and progressive regime when Duvalier took office in 1957, after what—for Haiti—was a relatively honest election.

But some ancient Haitian diseases soon caught up with the doctor-President. In impoverished Haiti, the government is regarded traditionally as the place where one may most quickly get rich. Duvalier's predecessor, military dictator Magloire, had reportedly loaded virtually all of his government's liquid assets—estimated at up to \$18 million—on a plane for New York City, where he lives in a five-story, \$150,000 home off Fifth Ave. Bad luck in the form of a disastrous coffee crop and tumbling prices further hit the government's meager income. Duvalier had wanted to boost spending for schools and public works. Instead he had to trim his national budget to a modest \$26 million about what a U.S. town of 30,000 would spend. Even this, Duvalier said he could not scrape together, and we came to the rescue with "budgetary support," i.e. cash.

Next, Duvalier was plagued by another Haitian disease—disloyal opposition. In Haiti, defeated candidates simply don't accept defeat, and few Presidents have finished out their terms. One was beheaded and dragged through the streets by a mob. Another was blown up in the Presidential Palace. Others have been poisoned. When Duvalier took power, his erstwhile campaign opponents fled abroad or sought asylum in Latin American embassies in Port-Au-Prince, or went underground to plot Duvalier's overthrow.

Pro-Duvalierists contend that the opposition, in hiding, set up a bomb

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manufacturing industry, and harassed the government. On June 14, 1959, a hand grenade killed four people in the government-owned gambling casino. Later, a bomb injured 42 celebrants at a religious festival. To cope with this there emerged a rag-tag mob of Duvalier adherents which he called a civil militia but which more closely resembled an urbanized Mafia. They were illiterate toughs, eager to settle old scores with the mulatto elite who had monopolized the country's wealth, education and government jobs. Duvalier held their loyalty by letting them carry arms. Each neighborhood had its dozen militia toughs grouped around a district leader, with a machine gun per unit. The Haitians, with their genius for pinning the right, mocking label on an adversary, took to calling Duvalier's toughs the "Ton Ton Macoutes," Creole for bogeyman.

The militia eaves-dropped and spied for Duvalier. You can't be sure today as you converse with a friend in a cab or restaurant that the driver or waiter isn't all ears for the benefit of the Palace.

The pace of the terror was stepped up after Duvalier recovered from a heart attack that had almost killed him. He turned the Presidential Palace into an arsenal, storing all of the Army's munitions there—and into a fortress, guarded by 400 troops who never left the grounds. Duvalier shut himself away for days, emerging to vent his suspicions on those around him with an irrationality bordering on paranoia. He kept a revolver on his desk. He changed his cabinet six times. He fired six senators and had six of his own elected. He became embroiled with the university students and the Catholic Church and exiled the three top members of the Catholic hierarchy. Duvalier even jailed head of the Ton Ton Macoutes, a close friend. None knew when his turn would come to be dragged into the streets and beaten—or worse, or left to languish in jail without charge or trial.

Most of Duvalier's time is spent nipping plots. So is most of the country's meager income. Some 30 to 40 per cent goes for the army and secret police, less than seven per cent for agriculture and education. Lacking an orderly government as partner, our Point Four administrators are left to cope with the country's staggering development problem virtually alone.

If a country is to use assistance effectively, it must have at least the rudiments of responsible public administration. Without it, our aid takes on a mad-hatter quality. For instance: we don't know where some \$8.5 million in cash which we have given to Haiti's

last two budgets has gone. The budgets are chaotic jungles our officials can't penetrate.

Haiti has no budget director to help prepare the budget, no controller to keep an eye on the spending. Moreover, "unseen expenses" turn up almost daily in the Government's official gazette to give the budget an even more casual air. Merely by decree, Duvalier can switch budgeted items from one use to another. Although Haiti owes three years in back light bills, I found an official decree that switched \$2,000 earmarked for current light bills to "unforeseen expenses" for the secret police — probably the Ton Ton Macoutes. (One issue of the government's official gazette published 17 such budget switches, all to the secret police.)

Our administrators told me in Haiti that our budgetary support cash goes to pay salary lists and vouchered bills presented by the Haitians. Asked whether we follow through to see if the money is spent for the listed purpose, I was told:

"We don't spy on the Haitians."

As we've seen, it would be futile to do so. What is more bizarre, we don't even know how much money the Haitian government takes in. Duvalier receives secret funds which come from government monopolies in tobacco, soap, matches and other articles and are estimated at some \$3 million yearly. But none of our officials sees an income statement or a balance sheet. Our Government is thus in the curious position of giving millions of dollars to a bankrupt who conceals his assets.

Does Haiti want to pull itself out of stagnation? Do its leaders have the will to do it?

For years, the Export-Import Bank, the World Bank, the Development Loan Fund have virtually pleaded with Haitian politicians to borrow money at low interest to rebuild crumbling roads, create more power, build airports to encourage vitally needed tourism. The bankers' blandishments only stimulated the Haitians to beat the bushes for private deals with built in kick-backs—and so stymied loan after loan.

For instance, several years ago the World Bank offered to make an engineering study as the first step toward granting a loan to rebuild the vanished highway to the south. Because the World Bank had engineers on the ground, the cost to Haiti would have been \$35,000. Instead, Haitian senators hastened to sign a contract with a Florida firm to make the study for \$80,000. Presumably the Senators reaped a fat commission. But not only did the study cost twice as much, it failed to meet the World Bank's

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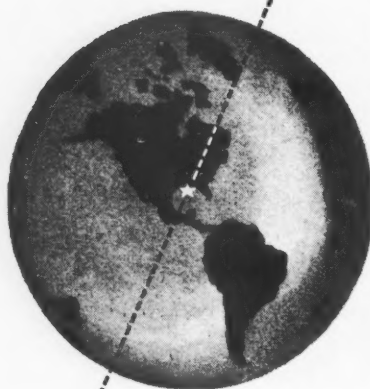
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standards. The road project languished.

In the midst of negotiations with our Development Loan Fund for \$2.7 million to build a jet airport, Haitian ministers again signed up with a private promoter. The money he promised to raise would have cost seven per cent, plus commissions, as against 3.5 per cent our lending agency would have charged. The episode assumed an even more weird aspect when the private promoter—and the Haitians—asked the Development Loan Fund to guarantee the more costly loan. The lending agency of course refused. The airport project also languishes.

To develop, a country needs an awakened and educated people. This is underlined in Haiti where the peasants, steeped in ignorance and primitive superstition, are destroying their land by turning into charcoal the precious trees that could hold the soil in place on the hillsides. Yet it is in the crucial education field that the cruelest waste of American assistance dollars occurs.

"We have some 700,000 peasant children who should be going to school," one Haitian told me "but there's room only for 100,000. The rural schools? They're mostly shacks rented at \$2 a month. Never mind that. The most important thing is teachers. We have only 1,200 teachers for those 100,000 rural kids—one teacher to a thousand pupils! "Sure, your Point Four money supports a normal school, and this year the school will turn out 70 teachers. But they won't do any teaching. There are no jobs for them. My government says it can't afford to put them on—even at the \$45 monthly salary for teachers. And your government won't insist that the money it gives cash to my government be earmarked for this purpose."

Our Point Four spending on education in Haiti comes to some \$500,000 yearly—which is very small relative to the need. But if more money were spent, it too would be largely wasted.

Why then haven't we prodded the Haitians into making the necessary reforms? Because it is easier to improve a rice crop than to get a country to reform its public administration or set up a meaningful budget.

For instance: Washington sent a public administration expert to Haiti to help it create a Government Planning Board and set some long range development targets. The expert, David J. Keogh, a quiet patient man, cooled his heels outside cabinet ministers' offices for 18 months. They just didn't keep appointments or were otherwise occupied. With a sigh, Technician Keogh holed up at Point Four headquarters and kept himself busy preparing a

report on planning in case, some day, the Haitians could be persuaded to use it. We did not press the point.

Nor did we stick to our guns and impose responsibility on President Duvalier when he fired a highly trained Haitian administrator—working on a joint American-Haitian irrigation project—and replaced him with an ex-public-works minister who had been jailed on charges of thievery. We shut off our funds for the project, then beat a retreat when Duvalier threatened to turn to Russia. Duvalier won his right to fire, letting us save some face by agreeing to subject his replacements to our approval. As a dreary footnote to this episode, our Ambassador, our chief of the Point Four Mission, as well as the regional administrator of the irrigation project had to leave the country. Their insistence on responsible use of our money had made them *persona non grata*.

President Kennedy's foreign aid message last March indicated that at long last we are beginning to realize our "existing foreign aid programs and concepts are largely unsatisfactory."

The President proposed that special attention should be paid those countries that are willing and able to mobilize their own resources. He also proposed that a new foreign aid agency develop "country plans" to replace our scattered projects with a unified scheme involving long range targets for each country.

Both proposals are excellent first steps, since they would logically lead to something we've long neglected: periodic checkups in the assisted countries to see what our money is accomplishing. But drawing up "country plans" will be futile, unless we find some way of prodding the countries into creating the conditions under which growth is possible. In Washington after my return from Haiti, I found policymaking officials racking their brains over methods with which this prodding could be done.

It might be easier to hasten basic reforms in Haiti—or elsewhere—if we didn't go it alone in pushing reforms as we have done in the past. It is true that we are the senior partners in the business of trying to get Haiti on its feet. But the UN has 14 technicians there too. The World Bank has long been interested in helping with loans. It is hard to see how the Haitians could long resist change if our foreign aid administrators and lending agencies made a common front with the UN mission and the World Bank, and all acted together in asking for change—or withdrew together.

Without some firm line such as this, we are only adding cash to chaos. ●

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